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AZ CORP COMMISSION  
DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

**COMMISSIONERS:**

MARC SPITZER, Chairman  
WILLIAM A. MUNDELL  
JEFF MATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

In the matter of:

YUCATAN RESORTS, INC., d/b/a  
YUCATAN RESORTS, S.A.,

RESORT HOLDINGS INTERNATIONAL,  
INC. d/b/a  
RESORT HOLDINGS INTERNATIONAL,  
S.A.,

WORLD PHANTASY TOURS, INC.  
a/k/a MAJESTY TRAVEL  
a/k/a VIAJES MAJESTY

MICHAEL E. KELLY,

Respondents.

DOCKETED

APR 04 2005

DOCKETED BY	<i>CH</i>
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DOCKET NO. S-03539A-03-0000

RESPONDENTS' JOINT MOTION TO  
DISMISS AND/OR STAY PROCEEDING

(ASSIGNED TO THE HONORABLE  
MARC STERN, ADMINISTRATIVE  
LAW JUDGE)

NOW COME the Respondents, Resort Holdings International, Inc. ("RHI Inc."), Resort Holdings International, S.A. ("RHI S.A."), Yucatan Resorts, Inc. ("Yucatan Inc."), Yucatan Resorts, S.A. ("Yucatan S.A." or, collectively, "Respondent Entities"), and Michael E. Kelly ("Kelly") (collectively, the "Respondents") and file this, their Joint Motion to Dismiss and/or

Stay Proceeding. In support thereof, Respondents would respectfully show the following:

## **I.**

### **INTRODUCTORY STATEMENT**

In response to the Respondents' demand that they be afforded due process including, but not limited to, the right to conduct basic discovery in this action, Administrative Law Judge Marc Stern ("ALJ Stern") observed: "We're going to see that you get due process, no matter what."<sup>1</sup> "You're entitled to due process."<sup>2</sup> The Securities Division has road-blocked and fought against Respondents' rights in that regard including, but not limited to, each of the Respondents' numerous attempts to obtain documents and information. Simultaneously and surreptitiously, the Securities Division has interviewed and/or contacted countless individuals, conducted formal and information interviews, and amassed more than 46,000 pages of discovery in this matter. The Securities Division has been successful in insuring that a double-standard has been applied throughout this administrative action, and the Respondents' due process rights have been trampled.

## **II.**

### **HISTORY OF DUE PROCESS DEPRIVATION**

#### **1. The Securities Division Represented that it Intended to Pursue Formal Discovery; the Respondents Sought a Prompt Hearing of this Matter.**

On May 20, 2003, the Securities Division filed its Temporary Order to Cease and Desist.<sup>3</sup> June 10, 2003, the Respondents timely filed Requests for Hearing.<sup>4</sup> The first Pre-Hearing Conference was conducted on July 17, 2003.<sup>5</sup>

At the outset of this first Pre-Hearing Conference ALJ Marc Stern inquired, "I don't

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<sup>1</sup> See March 4, 2004, Pre-Hearing Conference Transcript at p. 27, lines 8-9.

<sup>2</sup> *Id.* at p. 27, line 11.

<sup>3</sup> See Tenth Procedural Order at p. 2.

<sup>4</sup> *Id.*

<sup>5</sup> See Pre-Hearing Conference Transcript, dated July 17, 2003.

know what type of discovery, if there is going to be any discovery or are you just ready to proceed to a hearing?”<sup>6</sup> Securities Division Attorney Jamie Palfai responded, “I would like to set up some type of discovery schedule so we can exchange materials.” Further, the Securities Division stated, “I think there are quite a few items that we are interested in getting from the respondents in this case. And I would suggest perhaps we can set up some type of discovery schedule.”<sup>7</sup>

Respondents’ attorney, Joel Held, in an effort to expedite the process and proceed more quickly to Hearing, and to alleviate the Arizona Corporation Commission’s lack of space problem identified by ALJ Stern, offered to check with the Respondents to ascertain whether they would be willing to pay for an off-site conference room where the Hearing could be promptly held.<sup>8</sup>

In response to the Securities Division’s representations that it would like to proceed with formal and structured discovery, Michael and Lori Kelly’s attorney, Paul Roshka, argued that his clients should not be subjected to the cost of responding to, and producing, discovery while their respective Motions to Dismiss for lack of personal jurisdiction were pending.<sup>9</sup> ALJ Stern recognized the merit of Mr. Roshka’s argument and stated, “[a]s I say, the Division brings the case. I don’t tell you guys to bring this. If you were short some of the evidence to back up the allegations, then perhaps the case shouldn’t have been brought.”<sup>10</sup> The Securities Division, in support of its request for formal discovery, responded, “[w]ell, Mr. Stern, as you know, there is more to a case than just having evidence of wrongdoing . . . [i]t is trying to find out who all of

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<sup>6</sup> *Id.* at p. 7, lines 13-17.

<sup>7</sup> *Id.* at p. 23, lines 2-5.

<sup>8</sup> *Id.* at p. 23.

<sup>9</sup> *Id.* at p. 23, lines 12-15.

<sup>10</sup> *Id.* at p. 16, lines 20-23.

the investors are and full investor list, things of that nature, financial information.”<sup>11</sup>

Thus, irrefutably, the Respondents sought an expeditious resolution of this proceeding.<sup>12</sup> The Securities Division wanted time to pursue formal and structured discovery to prepare its case against the Respondents.<sup>13</sup>

**2. The Securities Division Reasserts Its Intent to Pursue Formal Discovery, And Begins a Campaign of Surreptitious Discovery Against the Respondents.**

Importantly, following the initial Pre-Hearing Conference, the Securities Division did not follow the formal discovery format they represented a need for at the initial Pre-Hearing Conference. Instead, the Securities Division embarked on a surreptitious discovery campaign. Specifically, the Securities Division began issuing subpoenas and conducting EUOs and/or informal interviews with individuals on matters that were inextricably linked to this action. The Securities Division also obtained thousands of documents from these individuals.

On or about September 4, 2003, the Respondents first learned of the Securities Division’s back-door discovery campaign. Immediately, the Respondents filed a Motion to Quash Subpoenas, Objections to Subpoenas, and Motion to Stay Discovery Pending Further Order (“Motion to Quash”). The Motion to Quash noted, *inter alia*, that: (1) that the Securities Division had just requested formal discovery at the July Pre-Hearing Conference; (2) that the subpoenas were directed to individuals that were intimately involved with the pending action; (3) the Securities Division’s excuse that the subpoenas were related to separate investigations was inaccurate because the subpoenaed individuals and the information sought by the subpoenas were irrefutably related to this action; and (4) this surreptitious discovery campaign was unjust,

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<sup>11</sup> *Id.* at pp. 23, line 25, through p. 24, line 4.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

unfair and violated the Respondents' due process rights.<sup>14</sup>

The Securities Division disregarded the Respondents' Motion to Quash and, on September 24, 2003, just two months after the initial Pre-Hearing Conference, secretly took the EUO of Roy Higgs. The Securities Division obtained Mr. Higgs's testimony, and at least 700 pages of documents directly related to this proceeding. Of course, the Securities Division failed to provide the Respondents with any notice of Mr. Higgs's EUO.

On October 7, 2003, a second Pre-Hearing Conference was held. The Respondents argued that the Securities Division misled ALJ Stern and the Respondents by representing, at the initial Pre-Hearing Conference in July, that it intended to conduct formal discovery. Respondents also argued that the Securities Division was unfairly conducting surreptitious discovery.<sup>15</sup>

The Securities Division argued, "[w]ith respect to the discovery schedule that opposing counsel has intimated we've been delaying intentionally, *we have every intention of going after discovery against the parties involved in this case.*"<sup>16</sup> The Securities Division even asserted that the reason they had not pursued formal discovery from the Respondents was that the Securities Division was too busy responding to the various pleadings and motions that the Respondents had filed in this action.<sup>17</sup> Finally, the Securities Division argued that the subpoenas it issued were not related to the subject action, but that the subpoenas were related to independent investigations.<sup>18</sup>

At the October 7, 2003, Pre-Hearing Conference that the Securities Division's representation that subpoenas and discovery it was pursuing related to separate investigations was disingenuous at the time, is glaringly disingenuous today, and was designed to mislead ALJ

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<sup>14</sup> See Respondents' Motion to Quash.

<sup>15</sup> See October 7, 2003, Pre-Hearing Conference Transcript.

<sup>16</sup> *Id.* at p. 16, lines 12-16 (emphasis supplied).

<sup>17</sup> "We have every intention of proceeding with discovery against the respondents once all these motions stop coming in." *Id.* at p. 17, lines 1-3.

<sup>18</sup> *Id.* at p. 17, lines 7-22.

Stern and the Respondents. The subpoenas issued by the Securities Division back in the fall of 2003 sought, *inter alia*, the following information:

From the period beginning January 1999 to the present, all documents records, books, and any other papers, whether stored on electronic media or otherwise, incident or related to the offer and sale of ***Universal Leases or any related Timeshare programs associated with Michael E. Kelly, Resort Holdings International, Yucatan Resorts, Avalon Resorts, World Phantasy Tours, Majesty Travel, and/or Yucatan Investments.***

See Exhibits 1-3 of Respondents Motion to Quash (emphasis supplied).

This exact language was incorporated as "Exhibit A" to the subpoenas issued and purportedly served on John Tencza, Janalee Ranney Sneva, and Phillip Robert Ohst by the Securities Division. Importantly, the Securities Division's subpoenas expressly and unambiguously sought information related to the "Universal Lease," which is the subject of ***this action.*** Further, the subpoenas sought information on Michael Kelly, Resort Holdings International, Yucatan Resorts, Avalon Resorts, and World Phantasy Tours—***all are named Respondents in this action.*** Noticeably absent from these subpoenas is any reference whatsoever to the individuals that are the subject of the subpoenas and/or any other information or product that is not directly tied to the Universal Lease or the Respondents.

To date, now more than eighteen (18) months after the subpoenas were issued on these individuals, no Temporary Order to Cease and Desist has been issued against them and no Notice of Opportunity for Hearing has been served on them. The Securities Division identified Mr. Tencza and Ms. Sneva as witnesses in their Witness List(s). Furthermore, the Securities Division has incorporated "cherry-picked" documents that these individuals produced to the Securities Division, in response to the above-referenced subpoenas, as potential exhibits in the Securities Division's Exhibit List ***for this action.*** The subpoenaed persons' complete document

production in response to the subpoenas was not produced to the Respondents.<sup>19</sup> To date, the EUO exhibits of Roy Higgs have not been produced.

Thus, the Securities Division misrepresented the true nature and intent of the subpoenas back in the fall of 2003, and these misrepresentations have lead to evidence and witnesses that the Securities Division now intends to use as the core of its case against the Respondents. This is not due process.

**3. Respondents Seek Discovery; the Securities Division Flip-Flops and Claims There is No Discovery in Administrative Proceedings.**

As discussed above, at the July 17, 2003, Pre-Hearing Conference, the Securities Division sought a delay of the Hearing for the express purpose of pursuing formal discovery against the Respondents. At the October 7, 2003, Pre-Hearing Conference the Securities Division once again represented to ALJ Stern that it would pursue formal discovery against the Respondents. Once the Respondents ascertained that the Securities Division was conducting an end-run of discovery by subpoenaing individuals and documents, as well as conducting informal interviews and obtaining documents from individuals that were subjected to informal interviews, the Respondents served formal discovery requests on the Securities Division.

On January 23, 2004, the Respondent Entities served their Request for Production of Documents. On January 29, 2004, the Respondent Entities served their First Set of Non-Uniform Interrogatories on the Securities Division. On this same date, Respondent Kelly served his First Request for Production of Documents on the Securities Division. On March 4, 2004, Respondent Kelly served its Second Request for Production of Documents on the Securities Division.

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<sup>19</sup> Some additional documents produced by such persons, but not included as exhibits by the Securities Division, were produced during the Hearing on the merits, but only after the Respondents vehemently complained that the Securities Division was "hiding the ball."

A Pre-Hearing Conference was scheduled for March 4, 2004. Up until then, the Securities Division's position and representations to ALJ Stern and the Respondents on discovery was that the Parties should pursue formal discovery. At the March 4, 2004, Pre-Hearing Conference, and after months of pursuing its surreptitious discovery by way of EUOs and informal interviews, the Securities Division suddenly and unexpectedly flip-flopped its discovery position. Indeed, in response to an inquiry by ALJ Stern as to when a Hearing date could be scheduled, Mr. Palfai stated:

Yes. Actually, I was just briefly discussing the matter with Mr. Galbut. We have in our possession evidence to suggest that this is a Ponzi scheme on a national level, and because of this, we want to push the hearing as quickly as possible and get a quick resolution in light of the evidence we have in our possession showing what this program in fact is. So we would urge that we could schedule a hearing date as soon as possible.

See March 4, 2004, Pre-Hearing Conference Transcript at p. 5, lines 3-11.

Respondents' counsel pointed out to ALJ Stern that the Securities Division had no claim of a Ponzi scheme in its Amended Temporary Order to Cease and Desist, demanded that the Securities Division turn over documents to prove this brand new allegation, and demanded that the Securities Division respond to the Respondents' above-reference initial discovery requests.<sup>20</sup> The Securities Division responded, for the first time, that formal discovery does not apply in administrative proceedings, and that the Respondents would have to live with merely an exchange of witness and exhibit lists prior to Hearing.<sup>21</sup> Thus, after months of representing to ALJ Stern and to the Respondents that the Securities Division would be pursuing formal

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<sup>20</sup> The Securities Division asserted that such a dangerous Ponzi scheme, on a national level, was afoot, that the Hearing must proceed as soon as possible to protect Arizona investors. This new claim by the Securities Division was first offered at the March 4, 2004, Pre-Hearing Conference. Yet, a Hearing was not scheduled for this administrative action until March 28, 2005, *one year later*, and no other federal securities agency and/or state securities regulatory agency has issued a Cease and Desist Order and/or alleged a Ponzi scheme involving the Universal Lease. This fact evidences that the Securities Division was employing yet another disingenuous ploy to deprive the Respondents of their due process rights, and unfairly taint the Respondents in this administrative action.

<sup>21</sup> *Id.* at pp. 10-11.



discovery from the Respondents, the Securities Division flipped its position, and argued that there was no right to discovery in an administrative proceeding. Based upon this plea from the Securities Division, ALJ Stern denied Respondents the discovery guaranteed them under due process of law.

**4. Securities Division 46,000; Respondents 0. This is Not Due Process.**

**A. The Securities Division's Unfettered Discovery.**

As evidenced by the Bates-stamped numbers in the Securities Division's Proposed Exhibit List, the Securities Division has amassed more than 46,000 pages of documents through its surreptitious, unfettered, unabridged and unrestricted discovery campaign. The Respondents are aware that the Securities Division has taken the EUOs of at least the following individuals: (1) Roy Higgs, (2) Janalee Sneva, (3) Phillip Ohst, (4) John Tencza, (5) John Donovan, and (6) Tyson Hiland. The Securities Division has obtained documents from these individuals. Additionally, the Securities Division has conducted an unknown number of informal interviews, sent out an responses to an unknown number of questionnaires and, as evidenced by the informal witness's documents showing up as potential exhibits in the Securities Division's Exhibit List, the Securities Division has obtained thousands of documents from these individuals.

**B. The Respondents' Discovery.**

Below is a table the Respondents' discovery, the motions related thereto, and the ruling related to the Respondents' discovery requests and motions.<sup>22</sup>

<b>RESPONDENTS' DISCOVERY REQUESTS AND MOTIONS</b>	<b>DATE OF REQUEST OR MOTION</b>	<b>RULING:</b>
Respondent Yucatan Resorts, Inc., Yucatan Resorts S.A., Resort Holdings International, Inc., and Resort Holdings International S.A.s' Request for Production of Documents.	1/23/04	Denied.
Respondent Yucatan Resorts, Inc., Yucatan Resorts S.A., Resort Holdings International, Inc., and Resort Holdings International S.A.s' First Set of Non-Uniform Interrogatories.	1/29/04	Denied.
Respondent Michael E. Kelly's First Request for Production of Documents.	1/29/04	Denied.
Respondent Michael E. Kelly's Second Request for Production of Documents.	3/04/04	Denied.
Respondents' Joint Motion to Compel or, Alternatively, to Vacate the Temporary Order to Cease and Desist.	3/18/04	Denied.
Respondents' Joint Motion to Strike the Securities Division's Reply to Respondents' Joint Motion to Compel or, Alternatively, Vacate the Temporary Order to Cease and Desist.	4/12/04	Denied.
Respondents' Joint Reply in Support of Joint Motion to Strike.	5/04/04	Denied.
Request for Expedited Order Directing the Arizona Corporation Commission to Issue Subpoenas for the Testimony of Witnesses and Subpoenas <i>Duces Tecum</i> for	5/10/04	Denied.

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<sup>22</sup> The table does not include any discovery requests or motions from Respondent World Phantasy Tours.

Documents and Information.		
Respondents' Renewed Request for Expedited Order Directing the Arizona Corporation Commission to Issue Subpoenas for the Testimony of Witnesses and Subpoenas <i>Duces Tecum</i> for Documents and Information.	10/19/04	Denied.
Respondents' Joint Motion for Continuance of Hearing.	3/14/05	Denied.
Respondents' Supplemental Joint Motion for Continuance of Hearing.	3/15/05	Denied.
Respondents' Joint Motion for Reconsideration of Order Denying Continuance.	3/21/05	Denied.
Respondents' Joint Motion to Compel	3/24/05	Denied.

Although the Respondents were afforded the right to attend EUOs, incredibly, they were denied the right to cross-examine the individual subject to the EUO, and the right to speak during and/or object during the EUOs.<sup>23</sup> The Respondents were not afforded all documents produced by the individual subject to the EUO, but were eventually permitted to have documents that were actually marked as exhibits during the EUO. Many of these exhibits were not produced to the Respondents until the first day of Hearing. In the case of Roy Higgs, the EUO exhibits have not yet been produced to the Respondents.

The Securities Division was permitted to redact portions of the EUO transcript that *it* deemed were separate from the present action. Upon examination of the transcript the Respondents have objected that the transcripts contain redacted portions that were directly related to the EUO, yet the Securities Division was not ordered to produce the transcripts for an *in camera* review.

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<sup>23</sup> See Tenth Procedural Order at p. 5, lines 6-14; see also, Pre-Hearing Conference Transcript dated October 7, 2004.

The Respondents, in theory, were afforded the right to cross-notice individuals for deposition. Respondents attempted to serve Roy Higgs with subpoenas, but were informed that he moved out of state. The Respondents attempted to locate Mr. Higgs to conduct his deposition out of state, but were not able to obtain Mr. Higgs out of state address. The Securities Division has included approximately 200 pages of cherry-picked documents as Mr. Higgs' exhibits in the Securities Division's Exhibit List. The Securities Division obtained at least 700 pages of documents from Mr. Higgs, yet the Securities Division did not turn over all of these documents to the Respondents. Amazingly, the Securities Division has identified Mr. Higgs, and persuaded him to attend this Hearing and testify on its behalf. The Securities Division had the correct contact information for Mr. Higgs, and hid the ball from the Respondents. The Securities Division only provided Mr. Higgs' updated contact information after ALJ Stern ordered the information produced at the Hearing.

Respondents also requested an order directing the Corporation Commission to issue subpoenas for the deposition of individuals and subpoenas *duces tecum* for the production of documents and information. The deposition subpoenas were denied and, thus, it is clear that the ability of Respondents to actually depose any witnesses was illusory—as the only subpoena for deposition request that was actually permitted was for Roy Higgs who happened to be an individual that the Securities Division knew moved out of state, and was beyond the subpoena power of the Arizona Corporation Commission. The requests for the issuance of subpoenas *duces tecum* also were denied, and the Securities Division was not compelled to produce one sheet of paper to the Respondents in response to any of the aforementioned discovery attempts.

Thus the facts evidence the following: (1) the Respondents attempted formal discovery and are entitled to it because (2) the Securities Division stated from the outset of this action that

it wanted to pursue formal discovery; (3) the Securities Division was permitted to conducted a surreptitious discovery campaign for months, but once it had what it believed to be enough information to support its case, the Securities Division flipped its position and argued there is no discovery in administrative actions; (4) Respondents' formal discovery requests were denied; (5) Respondents pursued discovery pursuant to the administrative rules—seeking the issuance of subpoenas for the depositions of individuals and subpoenas *duces tecum* for documents and information; (6) Respondents' subpoenas for depositions were denied except for an individual the Securities Division knew to reside out of state; and (7) Respondents' subpoenas *duces tecum* for documents and information pursuant to the administrative rules were denied.

**5. Respondents' Open Records Request.**

The Respondents, having been effectively denied due process regarding their aforementioned discovery pursuits, attempted to obtain exculpatory documents and information *via* an Open Record Request ("Request"). Attorney Jeffrey Gardner, on behalf of the Respondents Entities, sent the Request to both Investigator Gary Kirst and the Custodian of Records at the Securities Division on November 10, 2004. The Respondents expressed that time was of the essence with regard to the Request because the Respondents needed the documents to prepare for this administrative proceeding.

Neither Mr. Kirst nor the Custodian of Records responded to their respective Requests. Rather, Attorney Jaime Palfai who, on behalf of the Securities Division in this action, has done anything and everything to thwart the Respondents' attempts to obtain discovery, elected to personally handle the Requests. Not surprisingly, the Securities Division took nearly four months to make the records and the requested Privilege Log available to the Respondents. The Securities Division repeatedly excused their delay by representing to the Respondents that the

Securities Division had thousands of documents to sift through and determine if there were any responsive and non-privileged records. Ultimately, the Securities Division produced two worthless boxes of documents, and a short, non-descriptive Privilege Log, which the Securities Division used to broadly shield more than 46,000 pages of documents and information that it amassed through its surreptitious discovery campaign.

Thus, to defend itself in this administrative action, the Respondents have been provided with five (5) volumes of cherry-picked documents the Securities Division selected from its nearly two-years of surreptitious discovery. The Securities Division has been permitted to use the administrative rules as a sword and a shield—gathering witnesses and information to use against the Respondents while simultaneously denying all of the Respondents’ discovery requests and hiding behind unfounded assertions of privilege. There is no evidence of due process in this proceeding. Consequently, this administrative action should be dismissed or, at a minimum, this action should be stayed in order to permit the Respondents their Constitutionally-guaranteed right to due process and fundamental fairness.

#### **6. The Stockbridge Discovery Distinction.**

The Stockbridge administrative action, Docket Number S-03465A-02-0000, is contemporary of this administrative action, but with a remarkably different due process and discovery history. In Stockbridge, Respondents Victor M. Stockbridge and G. Irene Stockbridge filed their First Request for Production of Documents on February 4, 2003.<sup>24</sup> On this same date, Securities Division’s counsel alerted the Stockbridges’ counsel that it would make available the EUO hearing transcripts, and further alerted the Stockbridges’ counsel that there were no non-disclosed formal interviews.<sup>25</sup>

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<sup>24</sup> See Stockbridge First Request for Production of Documents attached as Exhibit “A.”

<sup>25</sup> See February 4, 2003, correspondence from Amy Leeson of the Securities Division to Paul Roshka and Dax

On February 6, 2003, within the discovery timeframes provided by the Arizona Rules of Civil Procedure, the Securities Division produced one box of documents containing approximately 2,500 pages of responsive documents "from the Securities Division's investigative file."<sup>26</sup> This production was made in response to the Stockbridges' First Request for Production.

On February 11, 2003, the Securities Division produced a second box of documents to the Stockbridges in response to their First Request for Production of Documents. Included with the cover-letter accompanying the second box of documents was a "Document Inventory," which disclosed the production of 5,617 pages of discovery and, additionally identified: (a) where the Securities Division obtained the documents; (b) the method by which the Securities Division obtained the documents; (c) the Securities Division employee that took possession of said documents; (d) the date on which the documents were received by the Securities Division; (e) Securities Division "comments" related to each discovery entry in the Document Inventory; and (f) the corresponding Securities Division file number where the responsive documents could be found.<sup>27</sup>

On February 13, 2003, the Securities Division sent yet another letter relating to discovery production.<sup>28</sup> This letter reflects that the Securities Division produced more than 5,000 pages of documents to the Stockbridges.<sup>29</sup> The production included subpoenas that were issued in connection with the matter, and invited the Stockbridges' counsel to contact the Securities

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Watson with the lawfirm of Roshka Heyman & DeWulf, PLC, attached hereto as Exhibit "B."

<sup>26</sup> See February 6, 2003, cover letter regarding production from Amy Leeson of the Securities Division to Paul Roshka, which is attached hereto as Exhibit "C."

<sup>27</sup> See February 11, 2002, cover-letter and Document Inventory from Amy Leeson of the Securities Division to Paul Roshka, which is attached hereto as Exhibit "D."

<sup>28</sup> See February 13, 2003, letter from Amy Leeson of the Securities Division to Paul Roshka, which is attached hereto as Exhibit "E."

<sup>29</sup> *Id.*

Division attorney to “discuss any aspect of discovery.”<sup>30</sup>

By letter dated February 25, 2003, the Securities Division thanked the Stockbridges’ counsel for the professional courtesy related to the “final installment” of the Division’s document production.<sup>31</sup> Amazingly, this letter reflects that after the February 13, 2003, discovery production, the Securities Division attorney noticed a small set of documents that had had not been Bates stamped or included in the Securities Division’s earlier production to the Stockbridges or identified in the Document Inventory.<sup>32</sup> The letter goes on to note that an revised Document Inventory is included with the letter and, further, that a Master Inventory (which is an index to the whole case file) is also included.<sup>33</sup>

However, the professionalism of the Securities Division in the Stockbridge case did not end with regular formal discovery. On April 1, 2003, the Securities Division produced an expert witness report for Michael Donovan.<sup>34</sup> The Securities Division identified Mr. Donovan, provided a work history of Mr. Donovan, and even explained the proposed expert witness’s expected testimony.<sup>35</sup>

On August 22, 2003, the Stockbridges’ counsel wrote to Mark Dinell<sup>36</sup> regarding inadequacies in the Securities Division’s productions.<sup>37</sup> On September 11, 2003, in response to the Stockbridges’ Supplemental Motion for Production of Documents, the Securities Division stated, “[t]o expedite full disclosure of the documents you have requested please note and promptly execute the Division’s proposed Stipulated Protective Order which is attached to this

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<sup>30</sup> *Id.*

<sup>31</sup> See February 25, 2003, letter from Any Leeson to Mr. Roshka and Mr. Watson, including the revised Document Inventory and Master Inventory, which is attached hereto as Exhibit “F.”

<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

<sup>34</sup> See April 1, 2003, Expert Report attached hereto as Exhibit “G.”

<sup>35</sup> *Id.*

<sup>36</sup> Mr. Dinell is serving as co-counsel with Jaime Palfai in the Securities Division’s prosecution of the pending administrative action against the Respondents.

<sup>37</sup> See August 22, 2003, letter from Mr. Watson to Mark Dinell, which is attached hereto as Exhibit “H.”



letter.”<sup>38</sup> Thus, the Securities Division, in a professional and courteous effort to ensure full fairness and disclosure in response to the Stockbridges’ discovery requests offered to produce documents that it had withheld as confidential subject to the Stockbridges’ execution of a Stipulated Protective Order.<sup>39</sup> Moreover, the Securities Division held true to its word, and after the execution of the Stipulated Protective Order produced the responsive and previously-withheld documents.<sup>40</sup>

Importantly, the Eighth Procedural Order signed by ALJ Stern in the Stockbridge administrative action, which is dated October 13, 2004, and well after discovery in the Stockbridge case had been exchanged, reflects no assertion by the Securities Division that discovery was not available in an administrative proceeding.<sup>41</sup> None of the above-reference Securities Division letters or discovery filings related to the Stockbridge action asserted that there was no right to discovery in an administrative proceeding. Further, the Stockbridges’ discovery requests were made pursuant to the administrative rules of practice and procedure before the Arizona Corporation Commission *and* the Arizona Rules of Civil Procedure. The Securities Division made no argument that the Arizona Rules of Civil Procedure did not apply. Also, all of the Securities Division’s discovery responses coincided with the discovery time frames set forth in the Arizona Rules of Civil Procedure.

In short, the Securities Division of the Arizona Corporation Commission practiced professionally and fairly in the Stockbridge case. It timely produced discovery and permitted the Respondents in that matter to test the evidence and allegations of the Securities Division, which

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<sup>38</sup> See September 11, 2003, letter from Securities Division Attorney John R. Proper to Mr. Watson, which is attached hereto as Exhibit “I.”

<sup>39</sup> *Id.*, see also The Division’s Response to Supplemental Requests attached hereto as Exhibit “J.”

<sup>40</sup> See September 18, 2003, correspondence from John Proper to the Stockbridges’ counsel, and attached hereto as Exhibit “K.”

<sup>41</sup> See Eighth Procedural Order dated October 13, 2004, and signed by ALJ Stern, which is attached hereto as Exhibit “L.”

is the very essence of due process. The Securities Division produced a detailed production summary and, further, produced a Master Index of all records that it maintained in connection with the Stockbridge case. It even produced an expert summary without being asked or compelled to do so. This is fair, it is just, and it satisfies due process.

Contrasting the Stockbridge administrative action to the present administrative action exposes the manifest injustice and due process deprivations that the Respondents herein have sustained. As discussed above, by September 11, 2003, the Securities Division's counsel, including Attorney Mark Dinell, in the Stockbridge administrative action had produced more than 5,000 pages of discovery documents, two follow-up discovery productions, a supplemental production, and had even offered to produce relevant but allegedly confidential records subject to a Stipulated Protective Order.

On October 7, 2003, *less than one month after producing multiple productions in the Stockbridge action*, the Securities Division in the present proceeding represented during Pre-Hearing Conference that formal discovery applied, and that it would pursue formal discovery against the Respondents.

Yet, when the Respondents submitted discovery requests in January of 2004, the Securities Division in *this action* represented that there was no discovery in administrative proceedings and, further, that Respondents were only entitled to and exchange of witness and exhibit lists. No expert reports or summaries were disclosed. No Document Indexes were produced. No Master Indexes were produced. Since the discovery in the Stockbridge case had been provided, no statutes have been enacted denying discovery in administrative proceedings; no rule on the subject has been promulgated; and no court decision has been rendered denying discovery rights in administrative proceedings.

When the Respondents sought discovery pursuant to the administrative rules of practice and procedure the Securities Division once again road-blocked the discovery attempts, and the Respondents right to discovery was denied.<sup>42</sup> Further, the Securities Division was only required to produce its witness and exhibit list, and was not compelled to produce any indexes, summaries and/or expert reports. Yet during the same period, the Securities Division conducted EUOs, informal interviews, and amassed 46,000 pages of documents to use against the Respondents.

In summary, the Securities Division in the Stockbridge action (which involved far less money, nearly 40,000 less pages of documents, and which did not involve the employment futures of thousands of Mexican citizens) fully recognized and participated in discovery, and afforded the Respondents due process. Contrarily, in the present proceeding (which involves allegations of approximately \$30 million dollars, 46,000 pages of documents, numerous EUOs, numerous undisclosed informal interviews, and the livelihood of thousands of Mexican citizens), the Respondents were denied all form of discovery. This treatment is inconsistent, prejudicial, violates the Respondents due process rights, and denies them equal protection under the law.

### III.

#### ARGUMENT

The U.S. Supreme Court has stated, “[t]he fundamental requirement of due process is the opportunity to be heard ‘at a meaningful time and in a meaningful manner.’”<sup>43</sup> The Securities Division commenced this administrative action with the filing of its Temporary Order to Cease and Desist on May 20, 2003. This action has been anything but “temporary.” Rather, the

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<sup>42</sup> See, *inter alia*, Tenth Procedural Order.

<sup>43</sup> See *Mathews v. Eldridge*, 424 U.S. 319, 333 (1976); quoting *Armstrong v. Manzo*, 380 U.S. 545, 552 (1965). Importantly, the ideals of due process were recently reaffirmed in the U.S. Supreme Court case of *Hamdi v. Rumsfeld*, where the Supreme Court recognized that under the *Mathews* due process analysis, individuals, even enemy combatants in a time of war, must be afforded due process, which includes a right to notice of the claims, a fair opportunity to rebut the government’s claims with evidence, and a neutral decision maker. 124 St. Ct. 2633, 2646-50 (2004).

Securities Division has been permitted to effectively obtain a permanent order to cease and desist against the Respondents. Therefore, the Respondents have not been afforded their fundamental right to be heard at a meaningful time. As discussed above, the Respondents sought a prompt Hearing and resolution of this action; the Securities Division sought time to conduct formal discovery.<sup>44</sup>

The Supreme Court has also held that, “[t]he ‘right to be heard before being condemned to suffer grievous loss of any kind, even though it may not involve the stigma and hardships of a criminal conviction, is a principle basic to our society.’”<sup>45</sup> “[D]ue process, unlike some legal rules, is not a technical conception with a fixed content unrelated to time, place and circumstances.”<sup>46</sup> Rather, “[d]ue process is flexible and calls for such procedural protections as the particular situation demands.”<sup>47</sup>

The Respondents have suffered the grievous loss of not being permitted to conduct business in Arizona for nearly two (2) years. Moreover, the Securities Division has represented in the Hearing on this matter that it seeks rescission and/or restitution from the Respondents in the approximated amount of \$30 million dollars. Thus, from monetary standpoint, the ultimate decision in this Hearing involves that possible grievous deprivation of the Respondents’ property. Also, Respondents have in their employ thousands of Mexican citizens whose entire livelihood is inextricably intertwined with the existence of the Respondents and their hotels. Lost in this administrative action is the fact that a decision against the Respondents will directly impact the lives of these Mexican citizens.

The time, place and circumstances of this administrative action irrefutably dictate that

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<sup>44</sup> July 17, 2003, Pre-Hearing Conference Transcript at pp. 7-8, 23.

<sup>45</sup> *Mathews*, 424 U.S. at 333; quoting *Wolff v. McDonnell*, 418 U.S. 539, 557-58 (1974).

<sup>46</sup> *Id.* at p. 334; quoting *Cafeteria Workers v. McElroy*, 367 U.S. 886, 895 (1961).

<sup>47</sup> *Id.*; quoting *Morrissey v. Brewer*, 408 U.S. 471, 481 (1972).

Respondents be afforded their Constitutionally-recognized due process rights. Moreover, the protection of Arizona residents, the high dollar amount, and the lives of the Respondents and the thousands of individuals who the Respondents employ require that due process be carefully monitored, fiercely protected and justly administered to ensure a fair proceeding.

Thus far, Respondents have not been afforded meaningful due process protections, as required by law, from the deprivation of their property. To the contrary, the Securities Division has been permitted to amass 46,000 pages of documents and information to use against the Respondents in this Hearing. The Securities Division has been permitted to conduct EUOs, subpoena individuals and their documents, conduct informal interviews and hide all exculpatory information and witnesses from the Respondents. The Respondents, on the other hand, have had all formal and administrative discovery requests vigorously opposed and denied.

In light of these facts it is obvious that this administrative action has not been fairly administered, and Respondents have not and will not be afforded due process. Therefore, Respondents respectfully request that this administrative action be dismissed or, at a minimum, that this action be stayed while the Respondents are afforded sufficient time and discovery to adequately defend themselves—just as the Securities Division was permitted adequate time to build their case against the Respondents.

#### **IV.**

#### **CONCLUSION**

For the foregoing reasons the Respondents Joint Motion to Dismiss and/or Stay the Administrative Action should, in all things, be granted.

Respectfully submitted this 4<sup>th</sup> day of April, 2005.

BAKER & MCKENZIE, LLP

By \_\_\_\_\_

Joel Held  
Elizabeth L. Yingling  
Jeffrey D. Gardner  
2300 Trammel Crow Center  
2001 Ross Avenue – Ste. 2300  
Dallas Texas 75201

and

GALBUT & HUNTER  
Martin R. Galbut  
Camelback Esplanade, Suite 1020  
2425 East Camelback Road  
Phoenix, Arizona 85016  
Attorneys for Respondents  
Yucatan Resorts, Inc.; Yucatan Resorts,  
S.A.; RHI, Inc.; and RHI, S.A.

and

ROSHKA HEYMAN & DeWULF, PLC  
Paul J. Roshka, Esq.  
One Arizona Center  
400 E. Van Buren St. – Ste. 800  
Phoenix, Arizona 85004  
Attorneys for Respondent Michael Kelly

ORIGINAL and 13 copies of the foregoing  
hand-delivered this 4<sup>th</sup> day of April, 2005 to:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered  
this 4<sup>th</sup> day of April, 2005 to:

Honorable Marc Stern  
Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Jaime Palfai, Esq.  
Matthew J. Neubert, Esq.  
Securities Division  
Arizona Corporation Commission  
1300 West Washington Street, 3rd Floor  
Phoenix, Arizona 85007



Joel Held, Esq.





BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER  
Chairman

2003 FEB -4 A 8:01

JIM IRVIN

Commissioner

WILLIAM A. MUNDELL  
Commissioner

AZ CORP COMMISSION  
DOCUMENT CONTROL

JEFF MATCH-MILLER

Commissioner

MIKE GLEASON

Commissioner

In the matter of:

DOCKET NO. S-03465A-02-0000

VICTOR MONROE STOCKBRIDGE  
[CRD # 1233627] and G. IRENE  
STOCKBRIDGE (husband and wife)

RESPONDENTS' FIRST REQUEST FOR  
PRODUCTION OF DOCUMENTS

61 Rufous Lane  
Sedona, Arizona 86336-7177

Respondents.

Pursuant to the Rules of Practice before the Arizona Corporation Commission and Rule 34 of the Arizona Rules of Civil Procedure, Respondents Victor Monroe Stockbridge and G. Irene Stockbridge ("the Respondents") request that the documents or things designated in the attached list be produced for inspection and copying.

Except as provided otherwise in the attached list, the time and place of production are:

Time: Twenty (20) calendar days from the date of service of this Request.

Place: Roshka Heyman & DeWulf, One Arizona Center, 400 East Van Buren Street, Suite 800, Phoenix, Arizona 85004.

The attached list sets forth the items to be produced, either by individual item or by category; describes each item and category with reasonable particularity; and specifies the reasonable time, place and manner of making the production and performing the related acts in connection with each item.

EXHIBIT

A

tabbies

1 The party upon whom this Request is served shall satisfy or object to it in writing within  
2 twenty (20) days from the date of service of this Request.

3 The Response shall state, with respect to each item or category, that the documents will be  
4 produced and related activities will be permitted as requested, unless the Request is objected to, in  
5 which event the reasons for objection shall be stated.

6 The documents or things sought by this Request include documents, information and things  
7 in the possession, custody or control of the Securities Division, their attorneys and all present and  
8 former agents, servants, representatives, investigators and others who may have obtained custody  
9 of the documents and things on behalf of the party or their attorneys.  
10

11 Unless otherwise indicated, this Request covers the time frame of January 1, 1996 to the  
12 present.

### 13 DEFINITIONS

14 For the purposes of this Request for Production of Documents, the following terms and  
15 references have been abbreviated and defined as follows:

16  
17 1. The terms "and" and "or" shall be construed conjunctively or disjunctively,  
18 whichever makes the document request more inclusive.

19 2. The term "Securities Division" shall mean the Securities Division of the Arizona  
20 Corporation Commission.

21 3. The term "Respondents" shall mean Victor Monroe Stockbridge and G. Irene  
22 Stockbridge.

23  
24 4. The term "Notice" is intended to include the Notice of Opportunity for Hearing for  
25 Docket Number S-03465A-02-0000.

5. The terms "document" or "documents" include, without limiting their generality, all contracts, agreements, correspondence, letters, files, memoranda, messages, handwritten notes, e-mail, inter- or intra-departmental or office or firm communications, telephone logs, telephone messages, computer disks, hard drives, telegrams, newsletters or other publications, stock certificates, stock options, promissory notes, appraisal reports, expressions of opinion as to value or use of real or personal property, valuation estimates of any kind, financial data, pro formas, estimates, financial projections, statements, credit and loan applications, accounting records and worksheets, financial statements, diaries, calendars, logs, desk diaries, appointment books, feasibility studies, recordings, notes of conversations, notes of meetings, notes of conferences, notes of investigations, notes of opinions, notes of interviews, written statements, recorded or taped interviews or statements, drafts of reports, preliminary reports, final reports, studies, forecasts, prospectuses, charts, graphs, maps, drawings or other representations or depictions, telephone records, motion picture film, audio or video tape recordings, facsimile copies, computer printouts, data card programs or other input or output of data processing systems, photographs (positive print, slides or negatives), microfilm or microfiche, or other data compilations from which information can be obtained or translated through detection devices into reasonably usable form, whether originals or copies, altered or unaltered, made by any means. The terms "document" and "documents" also include all copies which are, in any manner, not identical in content to the originals. Any comment or notation appearing on any document, and not a part of the original text, is to be considered a separate "document." Any draft, or any other preliminary form of any document, is also to be considered a separate "document."

6. The term "all documents" means every document, as defined above, known to you and every document which can be located or discovered by reasonably diligent efforts.

1           7.     The terms "writing" or "written" are intended to include, but not necessarily be  
2 limited to, the following: handwriting, typewriting, printing, photographing and every other means  
3 of recording upon any tangible thing, any form of communication later reduced to a writing or  
4 confirmed by a letter.

5           8.     The term "communication" means any oral, written, electronic, graphic,  
6 demonstrative, or other transfer of information, ideas, opinions or thoughts between two or more  
7 individuals or entities, regardless of the medium by which such communication occurred, and shall  
8 include, without limitation, written contact by such means as letters, memoranda, telegrams, telex,  
9 or any documents, and oral contact by such means as face to face meetings and telephone  
10 conversations.

11           9.     The terms "concerns" or "concerning" include referring to, alluding to, responding  
12 to, relating to, connected with, commenting on, impinging or impacting upon, in respect of, about,  
13 regarding, discussing, showing, describing, affecting, mentioning, reflecting, analyzing,  
14 constituting, evidencing or pertaining to.

15           10.    The term "person(s)" shall mean any natural person, corporation, partnership, sole  
16 proprietorship, joint venture, association, limited liability company, governmental or other public  
17 entity, or any other form of organization or legal entity, and all of their officials, directors, officers,  
18 employees, representatives, attorneys and agents.

19           11.    The terms "meeting" and "meetings" mean any coincidence of presence of two or  
20 more persons between or among whom some communication occurs, whether or not such  
21 coincidence of presence was by chance or prearranged, formal or informal, or in connection with  
22 some other activity.  
23  
24  
25  
26  
27

12. The term "Customer" shall have the same meaning, and identify the same individual, as contemplated in the Notice.

### INSTRUCTIONS FOR USE

1. In producing documents and things, indicate the particular request to which a produced document or thing is responsive.

2. In producing documents and things, furnish all documents or things known or available to you, regardless of whether such documents or things are possessed directly by you or your directors, officers, agents, employees, representatives and investigators or by your attorneys or their agents, employees, representatives or investigators.

3. If any requested document or thing cannot be produced in full, produce each such document to the extent possible, specifying each reason for your inability to produce the remainder and stating whatever information, knowledge or belief you have concerning the unproduced portion and the expected dates on which full production can be completed.

4. If any documents or things requested were in existence but are no longer in existence, then so state, specifying for each document or thing:

- (a) The type of document or thing;
- (b) The type(s) of information contained therein;
- (c) The date upon which it ceased to exist;
- (d) The circumstances under which it ceased to exist;
- (e) The identity of each person or persons having knowledge or who had knowledge of the contents thereof; and
- (f) The identity of each person or persons having knowledge of the circumstances under which each document or thing ceased to exist.

1           5.       This Request for Production of Documents is deemed to be continuing. If, after  
2 producing documents and things, you obtain or become aware of any further documents, things or  
3 information responsive to this Request for Production of Documents, you are required to produce  
4 to Respondents such additional documents and things, or provide Respondents with such  
5 additional information.

6           6.       Documents attached to each other should not be separated.

7           7.       In lieu of producing originals or copies thereof responsive to this Request, you may,  
8 at your option, submit legible photographic or other reproductions of such documents, provided  
9 that the originals or copies from which such reproductions were made are retained by you until the  
10 final disposition of this proceeding.

11           8.       In the event that you seek to withhold any documents, things or information on the  
12 basis that it is properly subject to some limitation on discovery, you shall supply Respondents with  
13 a list of the documents and things for which limitation of discovery is claimed, indicating:  
14

15           (a)      The name of each author, writer, sender or initiator of such document or thing, if  
16 any;

17           (b)      The name of each recipient, addressee or party for whom such document or thing  
18 was intended, if any;

19           (c)      The name of the person in custody or charge or possession of each such document;

20           (d)      The date of each such document, if any, or an estimate thereof and so indicated as  
21 an estimate;

22           (e)      The general subject matter as described in each such document, or, if no such  
23 description appears, then such other description sufficient to identify said document;

1 (f) The name, business address and position of each person who has seen, or has access  
2 to or knowledge of, the contents or nature of any such document; and

3 (g) The claimed grounds for limitation of discovery (e.g. "attorney-client privilege").

4 **DOCUMENTS TO BE PRODUCED**

5 1. The Securities Division's complete investigative file relating to and/or resulting in  
6 the commencement of Arizona Corporation Commission Docket No. S-03465A-02-0000. This  
7 should include, but not be limited to, the following:

8 a. All tapes and/or transcripts of tapes and/or memoranda and/or notes that in  
9 any way memorialize communications between the Securities Division and Respondents, including  
10 Examinations Under Oath, and all exhibits thereto;

11 b. All tapes and/or transcripts of tapes and/or memoranda and/or notes that in  
12 any way memorialize communications between the Securities Division and any other individual  
13 interviewed and/or contacted in connection with the Securities Division's investigation of  
14 Respondents and relating to the allegations set forth in the Notice. This includes all complaints,  
15 correspondence and Examinations Under Oath, and all exhibits thereto;

16 c. All documents in the possession or under the control of the Securities  
17 Division relating to the Respondents;

18 d. All affidavits and statements provided by individuals interviewed or  
19 contacted by the Securities Division relating to the allegations set forth in the Notice and/or  
20 relating to the Respondents;

21 e. All correspondence regarding or referring to the Respondents;

22 f. All documents or other information provided by Stockbridge to the  
23 Securities Division;  
24  
25  
26  
27

g. All documents or other information provided by SunAmerica Securities, Inc. to the Securities Division;

h. All documents or other information provided by Smith Financial Services, Inc. and Laverne W. Smith to the Securities Division;

i. All documents or other information by PNC Bank, N.A., PNC Bank, Delaware and PNC Advisors to the Securities Division;

j. All documents or other information provided to the Securities Division by the CPA firm and the attorney referred to in Paragraph No. 18 of the Notice;

k. All documents or other confirmations provided by the Customer or her representations to the Securities Division;

l. All documents or other information provided to the Securities Division by the Customer's sister referred to in the Notice;

m. All documents or other information provided by American Foundation for Charitable Support, Inc. to the Securities Division relating to Respondents, Customer, Customer's trust, and the Customer's CPA firm and the attorney referred to in Paragraph No. 18 of the Notice;

n. All documents obtained by, provided to or created by the Securities Division in connection with its examinations of the SunAmerica Securities financial office in Sedona.

o. Customer's trust documents; and

p. All subpoenas issued by the Securities Division in connection with the investigation of Respondents in Docket Number S-03465A-02-0000, and all documents produced in response to these subpoenas.

2. Copies of all other documents obtained during the Securities Division's investigation that are not specifically referred to in requests 1(a - p) above.



3. Copies of all documents relating to Customer and/or Customer's investments or accounts, in the possession or under the control of the Securities Division.

4. Copies of all documents prepared by any experts the Securities Division intends to call as a witness at the hearing and all drafts of those documents.

5. Copies of all documents the Securities Division intends to introduce as exhibits at the hearing.

RESPECTFULLY SUBMITTED this 4<sup>th</sup> day of February, 2003.

ROSHKA HEYMAN & DeWULF, PLC

By 

Paul J. Roshka, Jr., Esq.  
Dax R. Watson, Esq.  
One Arizona Center  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004  
Attorneys for Respondents  
Victor Monroe Stockbridge and  
G. Irene Stockbridge

ORIGINAL and thirteen copies of the foregoing hand-delivered this 4<sup>th</sup> day of February, 2003 to:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered this 4<sup>th</sup> day of February, 2003 to:

Marc E. Stern  
Hearing Officer  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

**ROSHKA HEYMAN & DEWULF, PLC**

ONE ARIZONA CENTER  
400 EAST VAN BUREN - SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

1 W. Mark Sendrow, Esq.  
2 Director of Securities  
3 Securities Division  
4 1300 West Washington Street, 3rd Floor  
5 Phoenix, Arizona 85007

6 Amy Leeson, Esq.  
7 Securities Division  
8 Arizona Corporation Commission  
9 1300 West Washington Street, 3rd Floor  
10 Phoenix, Arizona 85007

11 Moira McCarthy, Esq.  
12 Assistant Attorney General  
13 Arizona Attorney General's Office  
14 1275 West Washington Street  
15 Phoenix, Arizona 85007



stockbridge.acc/pld/req for prod of docs.doc

**ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL CENTER  
FILING COVER SHEET**

COMPANY/CASE NAME

Victor Monroe Stockbridge and G. Irene Stockbridge

DOING BUSINESS AS (DBA)

DOCKET No(s).

S-03465A-02-0000

**DESCRIPTION OF DOCUMENT OF NATURE OF ACTION**

PLEASE CHOOSE THE ITEM THAT BEST DESCRIBES THE NATURE OF THE CASE/FILING.

**UTILITIES -- NEW APPLICATIONS**

☐ NEW CC&N

☐ RATES

☐ INTERIM RATES

☐ CANCELLATION OF CC&N

☐ DELETION OF CC&N

☐ EXTENSION OF CC&N

☐ TARIFF (NEW)

☐ REQUEST FOR ARBITRATION

☐ FULLY OR PARTIALLY ARBITRATED INTERCONNECTION AGREEMENT

☐ VOLUNTARY INTERCONNECTION AGREEMENT

☐ MISCELLANEOUS - SPECIFY: \_\_\_\_\_

☐ MAIN EXTENSION

☐ CONTRACT/AGREEMENTS

☐ FORMAL COMPLAINT

☐ WAIVER/RULE VARIANCE/

☐ LINE SITING COMMITTEE CASE

☐ SMALL WATER COMPANY - SURCHARGE

☐ SALE OF ASSETS & TRANSFER OF OWNERSHIP

☐ SALE OF ASSETS & CANCELLATION OF CC&N

☐ FUEL ADJUSTER/PGA

☐ MERGER

☐ FINANCING

**UTILITIES -- REVISIONS/AMENDMENTS TO PENDING OR APPROVED MATTERS**

☐ APPLICATION

COMPANY \_\_\_\_\_

DOCKET No. \_\_\_\_\_

☐ TARIFF (Promotional or Compliance) [circle one]

DOCKET No. \_\_\_\_\_

DECISION No. \_\_\_\_\_

**SECURITIES OR MISCELLANEOUS FILINGS**

☐ AFFIDAVIT (Publication, Public Notice)

☐ COMMENTS

☐ EXCEPTIONS

☐ EXHIBIT(s)

☐ NOTICE OF APPEARANCE/INTENT

☐ NOTICE OF ERRATA

☐ OPPOSITION

☐ PETITION

☐ OTHER: First Request for Production of Documents \_\_\_\_\_

☐ REQUEST/MOTION FOR EXTENSION OF TIME

☐ REQUEST/MOTION FOR A HEARING

☐ REQUEST/MOTION FOR AN INTERVENTION

☐ MISCELLANEOUS REQUEST/MOTION

☐ REQUEST/MOTION FOR A REHEARING

☐ REQUEST/MOTION TO CONTINUE HEARING

☐ REQUEST/MOTION TO STRIKE

☐ RESPONSE

☐ TESTIMONY

☐ WAIVER

☐ WITNESS LIST

February 4, 2003

DATE

Paul J. Roshka, Jr./Dax R. Watson

PLEASE PRINT THE NAME OF THE PERSON WHOSE SIGNATURE APPEARS ON THE FILING (I.E., CONTACT PERSON, RESPONDENT, ATTORNEY, APPLICANT, ETC.)

PHONE: 602/256-6100

FAX: 602/256-6800



**COMMISSIONERS**  
MARC SPITZER - Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON



BRIAN C. McNEIL  
EXECUTIVE SECRETARY

MARK SENDROW  
DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007-2996  
TELEPHONE: (602) 542-4242  
FAX: (602) 594-7470  
E-MAIL: accsec@ccsd.cc.state.az.us

ARIZONA CORPORATION COMMISSION

February 4, 2003

**BY FACSIMILE AND MAIL**

Paul Roshka, Jr., Esq.  
Dax Watson, Esq.  
Roshka Heyman & DeWulf, PLC  
400 East Van Buren, Suite 800  
Phoenix, Arizona 85004

Re: Matter of Victor Monroe Stockbridge, S-03465A-02-0000

Dear Messrs. Roshka and Watson:

I have spoken with Marta at Arizona Reporting Service, Inc. I authorized her to provide to your firm, a copy of the EUO transcripts in this matter. The transcripts are: LaVerne Smith, August 29, 2001, Victor Stockbridge, August 30, 2001, LaVerne Smith, November 6, 2002, and Victor Stockbridge, November 13, 2002. Arizona Reporting's telephone number is 602-274-9944. You may call them, and order the transcripts, at your convenience.

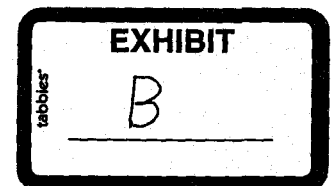
As I told Mr. Watson in our telephone conversation on January 22, 2003, there are no other transcripts of formal interviews existing in this matter as of today.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Amy Leeson".

Amy Leeson  
Senior Counsel

Cc: Arizona Reporting Service, Inc.











**COMMISSIONERS**  
MARC SPITZER - Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON



BRIAN C. McNEIL  
EXECUTIVE SECRETARY

MARK SENDROW  
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1300 West Washington, Third Floor  
Phoenix, AZ 85007-2996  
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FAX: (602) 594-7470  
E-MAIL: accsec@ccsd.cc.state.az.us

ARIZONA CORPORATION COMMISSION

February 11, 2003

**BY HAND**

Paul Roshka, Jr., Esq.  
Dax Watson, Esq.  
Roshka Heyman & DeWulf, PLC  
400 East Van Buren, Suite 800  
Phoenix, Arizona 85004

Re: Matter of Victor Monroe Stockbridge, S-03465A-02-0000

Dear Messrs. Roshka and Watson:

With this letter I am delivering to you, as we discussed by telephone on Friday, the 7<sup>th</sup>, documents marked ACC1505 – ACC2360. These are Mr. Stockbridge's letter to me dated August 22, 2001, and its enclosures. On Friday, I delivered to you the second box, which completed the Division's production of all documents listed on the Document Inventory, except for the items I identified with boldfaced, italicized notations on the Document Inventory. I sent a copy of the inventory to you by facsimile on February 6, 2003; a hard copy, updated to show today's production, is enclosed with this letter.

The documents numbered ACC5575 – ACC5587 are a complaint the Division received on June 28, 2001, and its enclosures. We have produced the enclosures, but not the complaint itself. Pursuant to A.R.S. § 44-2042(A), the identity of the complainant must be kept confidential. The Division is continuing its review of other portions of the file in connection with your document request.

Please be advised that the Office of the Attorney General has not appeared in this matter, and I do not expect the A.G. to become involved in the administrative proceeding. Moira McCarthy has requested that I pass along to you, her request that you remove her name, and the Office of the Attorney General, from your mailing and service lists. Changes to the Securities Act of Arizona in 2002 empowered Division attorneys to represent the Division in administrative proceedings and civil actions.

In our telephone conversation on Friday, we agreed that the deadline for the parties to exchange expert disclosure would be April 1, 2003. I understand this to include the names, contact information, and a summary of the opinions to be offered by each expert whom either side expects to call (other than as a rebuttal witness). Please let me know if your understanding differs.

If you wish to discuss any aspect of discovery, please feel free to call me at any time, at 602-542-0509.

Very truly yours,

Amy Leeson  
Senior Counsel

EXHIBIT

D

# DOCUMENT INVENTORY

CASE NAME Victor Stockbridge/Sun America Securities

CASE NUMBER S-3465-A

DOCUMENT NUMBERS	RECEIVED FROM	METHOD	RECEIVED BY	DATE	COMMENTS	FILE NO.
<b>"ACC0000" numbers (unless otherwise stated)</b>						
ACC0001-00110	Sun America Securities	US Mail	M. Donovan	07/31/01	Brokerage Account statements for Sue Coleman Account #s 5CK-17684 and 084-259340	03.02.01
00111-00165	Smith Financial Services	US Mail	A. Leeson	08/06/01	Supervisory procedures of products sold by Stockbridge, info on American Foundation	03.02.02
00166-00278	On-site exam of Sun America - Sedona	Hand collected	M. Donovan	07/17/01	Susan Coleman Trust account file	06.01
00279-00334	On-site exam of Sun America - Sedona	Hand collected	M. Donovan	07/17/01	Susan Coleman Foundation File	06.01
00335-00359	On-site exam of Sun America - Sedona	Hand collected	M. Donovan	07/17/01	Transaction Logs - Will produce with redactions to protect privacy interests of customers other than susan coleman	06.01
00360-00431	On-site exam of Sun America - Sedona	Hand collected	M. Donovan	07/17/01	SAS Compliance	06.01
00432-00520	On-site exam of Sun America - Sedona	Hand collected	M. Donovan	07/17/01	The American Foundation	06.01
00521-00555	On-site exam of Sun America - Sedona	Hand collected	M. Donovan	07/17/01	2001 Outgoing Correspondence - Will review to identify producible documents, if any.	06.01
00556-00849	On-site exam of Sun America - Sedona	Hand collected	M. Donovan	07/17/01	Information on Charitable Trusts and Foundations offered by Verne Smith	06.01
00850-00945	On-site exam of Sun America - Sedona	Hand collected	M. Donovan	07/17/01	Client File - Names of customers other than susan coleman redacted. Will not produce contents of this folder.	06.01
00946-01008	On-site exam of Smith Financial Services	Hand collected	M. Donovan	07/18/01	Firm profile, Form ADV from Smith office	06.01
01009-01011	Sun America	US Mail	L. Busse	08/13/01	Documentation - \$3,668,860.90 from Coleman account	03.02.01
01012-01066	Sun America	US Mail	A. Leeson	08/09/01	09/20/00 exam of Sun America office.	03.02.01
01067-01504	Sun America	US Mail	A. Leeson	08/21/01	Pay history for Stockbridge, branch examinations - 1997-2001.	03.02.01
01505-02360	Victor Stockbridge	US Mail	A. Leeson	08/23/01	Stockbridge personal bank account statements, list of annuities sold since 1999, S. Coleman documents, American Foundation documents. [Will not produce respondent's documents back to him.] Objection withdrawn - docs delivered on 2-11-03.	03.02.03
02361-02392	LaVerne Smith	Hand Delivered	A. Leeson	08/29/01	Improvements on branch operating systems, various correspondences.	03.02.02
02393-02516	Bank One	US Mail	L. Busse	09/17/01	Copies of Stockbridge bank statements, sig. cards	03.02.07

# DOCUMENT INVENTORY

CASE NAME Victor Stockbridge/Sun America Securities

CASE NUMBER S-3465-A

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<b>"ACC0000" numbers (unless otherwise stated)</b>						
02517-02592	Smith Financial Svcs.	Hand Collected	L. Busse	10/04/01	[Name of SunAmerica/Smith Financial customer, other than Susan Coleman, redacted. Will not produce contents of this folder.] docs received from Vic Stockbridge's office	03.02.02
02593-02662	Charles Schwab	UPS	L. Busse	10/05/01	Statements, correspondence, account application for Stockbridge account	03.02.08
02663-02850	Source Redacted	US Mail	L. Busse	10/17/01	[Name of SunAmerica/Smith Financial customer, other than Susan Coleman, redacted. Will not produce contents of this folder.] tax returns	03.02.09
02851-02941	Texas State Securities	US Mail	L. Busse	10/19/01	Stockbridge credit card statements	03.02.10
02942-03063	Bank One	US Mail	L. Busse	10/23/01	Coleman checking account statements	03.02.07
03064-03067	Sun America Securities - Sarah Kreisman	Facsimile	L. Busse	10/23/01	Copies of 3 variable annuity explanation of investments forms - [Name of SunAmerica/Smith Financial customer, other than Susan Coleman, redacted. Will not produce contents of this folder.]	03.02.01
03068-03168	Virginia Duncan	US Mail	L. Busse	10/26/01	Coleman trust, documentation of charitable giving outside ASF, PNC bank statements, statements of assets.	03.02.04
03169-03318	Sarah Kreisman	US Mail	L. Busse	10/29/01	Outside Business Activity Questionnaire, page from Sales Practice manual re: trustee, liability insurance documentation	03.02.01
03319-03482	Walker and Armstrong	Hand Delivery	L. Busse	10/31/01	Tax returns for Coleman - 1995-2000	03.02.11
03483-03809	Bank One	US Mail	L. Busse	11/13/01	Copies of Stockbridge checks	03.02.07
03810-03817	Sarah Kreisman	US Mail	L. Busse	11/26/01	Copies of Stockbridge's deferred comp statements	03.02.01
03818-04280	Bank One	US Mail	L. Busse	12/10/01	Copies of Coleman checks	03.02.07
04281-04331	[Source redacted]	US Mail	L. Busse	02/02/02	[Description redacted. Authority to produce is being sought.]	03.02.12
04332-04374	Glenbrook Life Ins.	US Mail	L. Busse	02/28/02	Annuity contracts [Will produce, to the extent this folder contains documents pertaining to Susan Coleman.]	03.02.13
04375-04389	Jackson National Life	US Mail	L. Busse	03/14/02	[Name of customer, other than Susan Coleman, redacted. Will not produce this folder's contents.]	03.02.14
04390-04391	Smith Financial	Facsimile	L. Busse	03/21/02	Annuity contracts	03.02.02
04435-04457	Smith Financial	Facsimile	L. Busse	07/12/02	Verde Valley Caregiver Pledge Commitment form	03.02.02
04458-04690	Sun America	UPS	L. Busse	03/25/02	Documents revealing Stockbridge beneficiary info	03.02.02
					Annuity Contracts [Will produce, to the extent this	03.02.01

# DOCUMENT INVENTORY

CASE NAME Victor Stockbridge/Sun America Securities

CASE NUMBER S-3465-A

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<b>"ACC0000" numbers (unless otherwise stated)</b>						
04691-04750	Allianz Life Ins. Company	US Mail	L. Busse	07/22/02	<i>Folder contains documents pertaining to Susan Coleman.]</i>	03.02.16
04751-05020	Sun America	Federal Ex.	L. Busse	07/22/02	<i>[Name of customer, other than Susan Coleman, redacted. Will not produce the contents of this folder.]</i> Annuity contract	03.02.01
05021-05076	Glenbrook Life	Airborne Exp.	L. Busse	08/15/02	Coleman annuity information including Stockbridge beneficiary info.	03.02.13
05077-05297	Glenbrook Life	Airborne Exp.	L. Busse	08/15/02	Basic annuity info, rep. agreement, Amer. Foundation annuity info.	03.02.13
05298-05299	Glenbrook Life	Facsimile	L. Busse	08/21/02	Form designating beneficiary change back to Coleman	03.02.13
05300-05301	Glenbrook Life	Facsimile	L. Busse	08/21/02	Form designating beneficiary change to Stockbridge	03.02.13
05302-05317	<b>Source redacted</b>	Facsimile	L. Busse	05/22/02	<b>Description redacted. Authority to produce is being sought.</b>	03.02.12
05318-05329	Sun America	Facsimile	L. Busse	09/18/02	Sun America procedure manual regarding prohibited sales and business practices, and independent activities.	03.02.01
05330-05373	Smith Financial Svcs.	US Mail	L. Busse	11/07/02	SEI Investments brochures	03.02.02
05374-05384	Smith Financial Svcs.	Facsimile	L. Busse	11/06/02	Smith Financial Telephone records for Feb 2002	03.02.02
05385-05389	Smith Financial Svcs.	Facsimile	L. Busse	11/12/02	List of Stockbridge clients	03.02.02
05390-05527	Ameritas Variable Life	Fed Ex	L. Busse	11/15/02	Coleman Annuity info, rep. agreement, etc.	03.02.17
05528-05530	Glenbrook Life	Airborne Exp.	L. Busse	11/19/02	Confirmation of address changes.	03.02.13
05531-05544	Glenbrook Life	Airborne	L. Busse	12/16/02	Quarterly performance updates, April 1999-June 2000	03.02.12
05545-05548	Sun America	Facsimile	M. Donovan	12/26/02	Stockbridge 2001 year end production report	03.02.01
05549-05571	Sun America	US Mail	L. Busse	01/02/03	Coleman Foundation year 2000 tax information, client account statements	03.02.01
05572	La Verne Smith	Hand delivered	A. Leeson	11/06/02	Stockbridge's termination acknowledgment	03.02.02
05573-05574	Verde Valley Caregivers	Facsimile	L. Busse	06/21/02	Pledge Commitment form 02/23/02	03.02.15
05575-05587	<b>Source redacted</b>	US Mail	Sec. Division	06/28/01	Docs pertaining to Coleman and Stockbridge	01
05588-05612	Victor Stockbridge	Hand delivered	A. Leeson	11/13/02	Stockbridge Trust agreement plus amendments	03.02.03
05613-05617	Victor Stockbridge	Hand delivered	A. Leeson	11/13/02	Documentation of Futurity Variable Annuity - Stockbridge annuitant. Documents from Chicago Title Ins. Co. regarding escrow of home at 290 Coronado Trail, Sedona	03.02.03



**COMMISSIONERS**  
MARC SPITZER - Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON



BRIAN C. McNEIL  
EXECUTIVE SECRETARY

MARK SENDROW  
DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007-2996  
TELEPHONE: (602) 542-4242  
FAX: (602) 594-7470  
E-MAIL: accsec@ccsd.cc.state.az.us

ARIZONA CORPORATION COMMISSION

February 13, 2003

**BY HAND**

Paul Roshka, Jr., Esq.  
Dax Watson, Esq.  
Roshka Heyman & DeWulf, PLC  
400 East Van Buren, Suite 800  
Phoenix, Arizona 85004

Re: Matter of Victor Monroe Stockbridge, S-03465A-02-0000

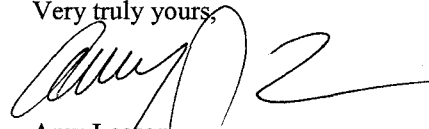
Dear Messrs. Roshka and Watson:

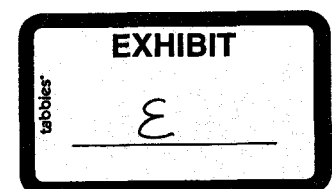
With this letter I am delivering to you a small set of additional documents, which completes the Division's production of all items listed on the Document Inventory, other than those few items as to which there is an objection to production. The basis for redactions, or for withholding particular documents, will be provided next week in a written response. The documents, amounting to approximately 5,000 pages, have been provided ahead of the written response solely to accommodate your need, and without waiver of any privilege or other objection.

This completes the Division's production of items obtained from other persons, as I explained in an earlier letter. This package also includes copies of some internally-generated items, including without limitation, subpoenas. I will complete review of the portions of the file containing internally-generated items next week.

If you wish to discuss any aspect of discovery, please feel free to call me at any time, at 602-542-0509.

Very truly yours,

  
Amy Leeson  
Senior Counsel





**COMMISSIONERS**  
MARC SPITZER - Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON



BRIAN C. McNEIL  
EXECUTIVE SECRETARY

MARK SENDROW  
DIRECTOR

ARIZONA CORPORATION COMMISSION

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007-2996  
TELEPHONE: (602) 542-4242  
FAX: (602) 594-7470  
E-MAIL: accsec@ccsd.cc.state.az.us

February 25, 2003

Paul Roshka, Jr., Esq.  
Dax Watson, Esq.  
Roshka Heyman & DeWulf, PLC  
400 East Van Buren, Suite 800  
Phoenix, Arizona 85004

Re: Matter of Victor Monroe Stockbridge, S-03465A-02-0000

Dear Messrs. Roshka and Watson:

My thanks to Mr. Watson for the professional courtesy of his agreement, last Friday, that this "final installment" of the Division's document production could be provided today rather than on the 21<sup>st</sup>.

As you know, subsequent to my letter dated February 13, 2003, we noticed that a small set of documents, which had been delivered to us by either Mr. Smith or Mr. Stockbridge when they appeared for their continued formal interviews in November 2002, had not been Bates stamped or listed on the Document Inventory. All such documents were delivered to you by hand, by Lisa Busse, on February 19, 2003. You may have received copies of some of these documents with our earlier productions.

With this letter I am delivering to you a revised Document Inventory, which includes the listing of the documents mentioned above. I am also delivering a copy of the Master Inventory, which is an index to the whole case file. I have placed handwritten notations on the Master Inventory to assist you. The documents that are contained in folders designated either "03.02" or "06.01" on the Master Inventory (which are listed in more detail on the Document Inventory), plus Master Inventory categories "07 - subpoenas/requests" and "17 - EUO's" have already been produced, except as noted. Other Master Inventory categories are currently being copied. I expect to receive the copies tomorrow.

The Division's overall response to your request for production is as follows:

1. We object to your multiple pages of instructions and definitions. We will not provide a detailed objection to each item. If the Civil Rules apply (which I believe is not the case), they govern. In addition, we have in any event conducted a review of our entire file and produced everything that is not protected by a common law or statutory privilege. In this letter, and my previous letters dated February 5, 11, and 13, 2003, we have provided information that I believe is sufficient to permit further discussion and/or challenge of our privilege claims. Please call me if you believe any such claim may be unwarranted, and I will be happy to try to reach agreement with you.

2. We have withheld documents, and redacted documents, as necessary to protect the identities and personal information of SunAmerica/Smith Financial customers other than the Customer, who is identified in the Notice. Requests for such information are not reasonably calculated to lead to the discovery of admissible evidence, as shown by the pleadings. Moreover, we are required to protect the privacy interests of such persons in their personal information. We routinely redact home addresses, telephone numbers, social security numbers, birthdates, and other sensitive personal information regarding non-parties, to protect privacy interests. In the event we have missed any such data, we request your professional courtesy in redacting the same prior to any further disclosure of the particular document(s).



EXHIBIT

F



3. We have redacted documents that discuss a criminal investigation, by Sedona P.D., regarding the activities of an individual with respect to the Customer. As far as I know, no public action was ever taken against this individual, and accordingly we redacted his identity to protect his reputation.

4. ACC00554 was mis-filed, and should not have been Bates stamped. It is a single page, out of a several-page set of notes made by Michael Donovan during his exam of SunAmerica/Smith Financial in July 2001. See comments regarding file "06.01," for applicable privileges.

5. From file "01" we withheld the complaint, although we produced its attachments. We also redacted other documents throughout our files, to keep confidential the identity of the complainant, to the extent feasible. This is required by A.R.S. § 44-2042, and is permitted by the common law informer's privilege, in addition. We also withheld the case opening memo and report, which are internal documents authored by me, protected by attorney/client, work product, investigative and deliberative process privileges, and also reveal the complainant's identity.

6. File "02" is pleadings, which need not be produced.

7. From file "03" and its subfiles (correspondence), we produced all documents, except as specified in ¶¶ 2-3 above in this letter, and except as detailed on the enclosed copy of the Document Inventory. Please note that most documents that we obtained from persons outside the Division, are filed under "03.02 – Correspondence – Incoming" because they are filed with their cover letters, in this case. (The remaining documents from outside the Division, are filed in either file "01" – the complaint and its attachments – or "06.01" – the exam at Smith Financial in July 2001.)

8. From file "04" we produced memos that summarize statements made to us by witnesses, with redactions to protect mental processes, theories, analyses, and the like. (There may have been other witness statements that were not recorded in a memo.) We withheld a for-cause exam recommendation memo authored by Michael Donovan, to Matthew Neubert, Director of Registration & Compliance. We redacted the referral memo Mr. Donovan prepared after the exam, referring the matter for further action by a staff attorney, dated 7-26-01, to remove theories, analysis, opinions, etc. These actions are based upon the work product doctrine, and investigative and deliberative process privileges. We also withheld a memo from me to Cheryl Farson, Division General Counsel, and Kathryn Tomlinson, a law student then working under Ms. Farson's supervision, dated 9-23-02, regarding research for the Stockbridge matter. This memo is covered by those privileges already mentioned, plus the attorney-client privilege. (General counsel and the law student as "attorney," and me as "client," in this situation.) We also withheld a memo from me to Mark Sendrow, dated 6-20-02, requesting authorization to disclose a single page of the investigative file, pursuant to A.R.S. § 44-2042. However, we did produce my letter to Virginia Duncan, which I wrote after receiving the requested authorization, and the letter's attachment. Withholding the 6-20-02 memo is based upon the same privileges earlier cited in this paragraph.

9. File "05 – Background Checks" is not producible. Investigative, work product, and deliberative process privileges.

10. File "06.-01 – On-Site Examination" was produced, except as noted on the Document Inventory or in the discussion of File "04" above in this letter. Note that ACC00521-555, called "2001 Outgoing Correspondence," is the outgoing correspondence file maintained by Verne Smith at Smith Financial, which Mr. Donovan obtained a copy of in July 2001, as part of his exam. It is not a Division correspondence file. Particularly because this was a for-cause exam, the work product doctrine applies to permit redaction and withholding of documents, where necessary to prevent disclosure of mental processes, theories, analyses, opinions, etc., of attorneys and those working with them, including Mr. Donovan.

11. File "09 – Attorney Notes" we will not produce. My notes are protected by the work product doctrine, unless you make a specific showing of need. Should you require assistance in identifying persons with pertinent knowledge, please call me and I will be happy to help you.

12. File "10 – Accountant Notes" is presently empty. I have consulted with Mark Klamrzynski, who has reviewed some tax returns pertaining to the Customer, but who has prepared no notes or other documents of his

own. At present I have not made a decision whether to call him, and if so, whether he will be reserved for rebuttal. If I call him, I expect the subject of his testimony to concern primarily rebuttal of some of your client's views regarding the tax consequences of various transactions to the Customer, and views concerning whether expert tax assistance should have been sought prior to those transactions.

13. File "11 – Work Notes – Investigator/Examiner" we will not produce. Work product, and investigative and deliberative process privileges.

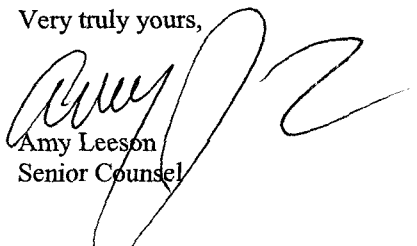
14. File "13 – Internet Research" we will not produce. Work product and investigative privileges.

15. File "14 – Legal Research" we will not produce. See privileges and objections discussed in paragraph 8 of this letter, regarding File "04."

16. File "15 – Experts" we expect to provide expert discovery on or before April 1, 2003, as agreed. Michael Donovan is still away on an emergency medical leave. I will provide further information as soon as I can.

I will be happy to discuss the case with you, including any aspect of discovery or the possibility of settlement, if you wish. As always, feel free to call me at any time, at 602-542-0509.

Very truly yours,

A handwritten signature in black ink, appearing to read "Amy Leeson", with a large, stylized flourish extending to the right.

Amy Leeson  
Senior Counsel

# DOCUMENT INVENTORY

CASE NAME Victor Stockbridge/Sun America Securities

CASE NUMBER S-3465-A

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<b>"ACC0000" numbers (unless otherwise stated)</b>						
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00111-00165	Smith Financial Services	US Mail	A. Leeson	08/06/01	Supervisory procedures of products sold by Stockbridge, info on American Foundation	03.02.02
0166-00278	On-site exam of Sun America - Sedona	Hand collected	M. Donovan	07/17/01	Susan Coleman Trust account file	06.01
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05318-05329	Sun America	Facsimile	L. Busse	09/18/02	Sun America procedure manual regarding prohibited sales and business practices, and independent activities.	03.02.01
05330-05373	Smith Financial Svcs.	US Mail	L. Busse	11/07/02	SEI Investments brochures	03.02.02
5374-05384	Smith Financial Svcs.	Facsimile	L. Busse	11/06/02	Smith Financial Telephone records for Feb 2002	03.02.02
05385-05389	Smith Financial Svcs.	Facsimile	L. Busse	11/12/02	List of Stockbridge clients	03.02.02
05390-05527	Ameritas Variable Life	Fed Ex	L. Busse	11/15/02	Coleman Annuity info, rep. agreement, etc.	03.02.17
05528-05530	Glenbrook Life	Airborne Exp.	L. Busse	11/19/02	Confirmation of address changes.	03.02.13
05531-05544	Glenbrook Life	Airborne	L. Busse	12/16/02	Quarterly performance updates, April 1999-June 2000	03.02.12
05545-05548	Sun America	Facsimile	M. Donovan	12/26/02	Stockbridge 2001 year end production report	03.02.01
05549-05571	Sun America	US Mail	L. Busse	01/02/03	Coleman Foundation year 2000 tax information, client account statements	03.02.01
05572	La Verne Smith	Hand delivered	A. Leeson	11/06/02	Stockbridge's termination acknowledgment	03.02.02
05573-05574	Verde Valley Caregivers	Facsimile	L. Busse	06/21/02	Pledge Commitment form 02/23/02	03.02.15
05575-05587	<b>Source redacted</b>	US Mail	Sec. Division	06/28/01	Complaint & attachments <i>[We produced the attachments only.]</i>	01
05588-05612	Victor Stockbridge	Hand delivered	A. Leeson	11/13/02	Stockbridge Trust agreement plus amendments	03.02.03

# DOCUMENT INVENTORY

CASE NAME Victor Stockbridge/Sun America Securities

CASE NUMBER S-3465-A

DOCUMENT NUMBERS	RECEIVED FROM	METHOD	RECEIVED BY	DATE	COMMENTS	FILE NO.
"ACC0000" numbers (unless otherwise stated)						
05613-05617	Victor Stockbridge	Hand delivered	A. Leeson	11/13/02	Documentation of Futurity Variable Annuity - Stockbridge annuitant. Documents from Chicago Title Ins. Co. regarding escrow of home at 290 Coronado Trail, Sedona	03.02.03
05618-05619	LaVerne Smith	Hand delivered	A. Leeson	11/06/02	AIM annuity #HA125779 showing Smith and new rep. and Mooney address on 06/02 statement	03.02.02
05620-05621	LaVerne Smith	Hand delivered	A. Leeson	11/06/02	AIM annuity #HA125779 showing Smith and new rep. and Mooney address on 09/02 statement	03.02.02
05622-05631	LaVerne Smith	Hand delivered	A. Leeson	11/06/02	Sue Coleman "Smartpad" notes utilized in Smith office	03.02.02
05632-05634	LaVerne Smith	Hand delivered	A. Leeson	11/06/02	Letter to Stockbridge clients sent by Smith after terminations	03.02.02
05635-05720	LaVerne Smith	Hand delivered	A. Leeson	11/06/02	Additional documents brought to EUO, including Coleman's latest quarterly statements for all annuities, taxes sent to SunAmerica compliance by Shaun Garder regarding questionable statements, copy of Mooney letter sent to Stockbridge questioning activities	03.02.02

VICTOR STOCKBRIDGE  
MASTER INVENTORY  
S-03465A

01 => Except for complaint's attachments, we will not produce.

- 01 CASE OPENING/CLOSING REPORT/MEMO  
01.01 MASTER INVENTORY = This document.  
01.02 DOCUMENT INVENTORY Produced, with redactions.
- 02 PLEADINGS Served, therefore no need to produce.
- 03 CORRESPONDENCE Produced, except one redaction.  
03.01 CORRESPONDENCE, OUTGOING Produced, w/ redactions.  
03.01.01 CORRESPONDENCE, OUTGOING, SUN AMERICA SECURITIES Produced, redacted.  
03.01.02 CORRESPONDENCE, OUTGOING, LAVERNE SMITH Produced.  
03.01.03 CORRESPONDENCE, OUTGOING, VICTOR STOCKBRIDGE Produced.  
03.01.04 CORRESPONDENCE, OUTGOING, VIRGINIA DUNCAN Produced.  
03.01.05 CORRESPONDENCE, OUTGOING, AMERICAN SUPPORT FOUNDATION - Empty folder  
03.01.06 CORRESPONDENCE, OUTGOING, BLACK ROCK FUNDS - Empty folder  
03.02 CORRESPONDENCE, INCOMING No Folder.  
03.02.01 CORRESPONDENCE, INCOMING, SUN AMERICA SECURITIES  
03.02.02 CORRESPONDENCE, INCOMING, LAVERNE SMITH  
03.02.03 CORRESPONDENCE, INCOMING, VICTOR STOCKBRIDGE  
03.02.04 CORRESPONDENCE, INCOMING, VIRGINIA DUNCAN  
03.02.05 CORRESPONDENCE, INCOMING, AMERICAN SUPPORT FOUNDATION  
03.02.06 CORRESPONDENCE, INCOMING, BLACK ROCK FUNDS  
03.02.07 CORRESPONDENCE, INCOMING, BANK ONE  
03.02.08 CORRESPONDENCE, INCOMING, CHARLES SCHWAB  
03.02.09 CORRESPONDENCE, INCOMING, [REDACTED]  
03.02.10 CORRESPONDENCE, INCOMING, USAA CREDIT CARD  
03.02.11 CORRESPONDENCE, INCOMING, WALKER AND ARMSTRONG  
03.02.12 CORRESPONDENCE, INCOMING, [REDACTED]  
03.02.13 CORRESPONDENCE, INCOMING, GLENBROOK LIFE  
03.02.14 CORRESPONDENCE, INCOMING, JACKSON NATIONAL LIFE  
03.02.15 CORRESPONDENCE, INCOMING, VERDE VALLEY CAREGIVERS
- 04 MEMOS Produced with redactions & exceptions noted.
- 05 BACKGROUND CHECKS Will not produce.
- 06 OUTSIDE AGENCY INVESTIGATIONS/ENFORCEMENT - Empty folder.  
ACTIONS  
06.01 ON-SITE EXAMINATION

See Document Inventory

06.01

See Document Inventory

07 SUBPOENAS/REQUESTS *Produced.*

08 VICTIMS/INVESTORS/CLIENTS/COMPLAINTS/WITNESSES *No folder.*

09 WORK NOTES - ATTORNEY *Will not produce. But see #04, memo.*

10 WORK NOTES - ACCOUNTANT *None.*

11 WORK NOTES - INVESTIGATOR/EXAMINER *Will not produce.*

12 UNDERCOVER OPERATIONS *None.*

13 INTERNET RESEARCH *Will not produce.*

14 LEGAL RESEARCH *Will not produce.*

15 EXPERTS *See letter.*

15.01 MICHAEL DONOVAN

16 MEDIA *No folder.*

17 EUO'S *} already produced.*

17.01 EUO - LAVERNE SMITH

17.02 EUO - VICTOR STOCKBRIDGE

18 MISCELLANEOUS *None.*





**COMMISSIONERS**  
MARC SPITZER - Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON



**COPY**

BRIAN C. McNEIL  
EXECUTIVE SECRETARY

MARK SENDROW  
DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007-2996  
TELEPHONE: (602) 542-4242  
FAX: (602) 594-7470  
E-MAIL: accsec@ccsd.cc.state.az.us

ARIZONA CORPORATION COMMISSION

April 1, 2003

Paul Roshka, Jr., Esq.  
Dax Watson, Esq.  
Roshka Heyman & DeWulf, PLC  
400 East Van Buren, Suite 800  
Phoenix, Arizona 85004



Re: Matter of Victor Monroe Stockbridge, S-03465A-02-0000

Dear Messrs. Roshka and Watson:

As we agreed, by this letter I am providing disclosure to you regarding expert testimony that the Securities Division intends to use in its case at the hearing of the Stockbridge matter. The Division will call Michael Donovan, Senior Dealer/Investment Adviser Examiner. Mr. Donovan is employed in the Registration and Compliance Section of the Securities Division, and may be contacted through me. There is no current resume of Mr. Donovan in existence. Prior to becoming employed at the Division, Mr. Donovan was a registered securities salesman, from approximately 1975 to 1991. His CRD number is 810419. He worked at both Merrill Lynch and Prudential. Mr. Donovan has been accepted as an expert by Corporation Commission Hearing Officers, in three prior cases.

On March 10, 2003, the Division delivered to you, by hand, copies of documents contained in the "expert" file as of that date. With this letter, I am providing a copy of Mr. Donovan's report, dated April 1, 2003. On page two of the report, there is a column headed "Annual Income," which I expect will be filled in later, if Mr. Donovan is able to collect the information. We will send you an "updated page 2 of 4" promptly, if that occurs.

At the hearing, I expect to elicit from Mr. Donovan, the opinions that are stated in his report dated April 1, 2003. This includes, without limitation, the opinion that the generation of one-half million dollars in commissions and fees, rather than the Customer's best interests, was the true motive for the transactions liquidating the Customer's inherited \$6.5 million portfolio and re-investing the net proceeds in variable annuity contracts. In addition, I expect to elicit the opinion that Mr. Stockbridge's conduct, when he named The Stockbridge Trust the beneficiary of one of the Customer's annuity contracts, without any other person knowing about the beneficiary change, was dishonest and unethical conduct, by securities industry standards. Mr. Donovan's report dated April 1, 2003, sets out his commissions analysis. The engagement memo from me to Mr. Donovan, dated October 3, 2002, a copy of which we have produced to you, together with this letter and its enclosure, I believe provide fair notice of the opinions Mr. Donovan will offer.

In addition, I expect to offer as evidence at the hearing, a copy of a report containing expert opinions of a licensed psychologist (ACC005306-5310), and a copy of a written expert opinion of a licensed physician, who was primary care provider to the Customer during the relevant time period (ACC005305). As I discussed with Mr. Watson on March 7, 2003, the Division has offered to produce these records to Respondent, subject to their first being protected by a confidentiality agreement. I cannot summarize the opinions here, due to their confidential nature. The contact information for these experts is as follows: Aileen A. Lee, Ph.D., 105 N. Roadrunner Road,

**EXHIBIT**

tabbles

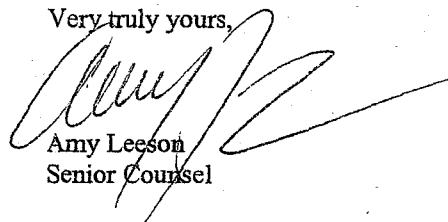
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Page 2 of 2

Suite 8, Sedona, Arizona 86336, telephone 928-203-1774, and Kathy J. O'Connor, M.D., 3700 W. Highway 89A, Sedona, Arizona 88336, telephone 928-204-4900.

Finally, I have in a previous letter notified you that the Division may call Mark Klamrzynski as an expert on rebuttal, concerning certain tax issues regarding the Customer.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Amy Leeson', with a long, sweeping horizontal line extending to the right.

Amy Leeson  
Senior Counsel

Enclosure

MUNICIPAL SECURITIES SOLD IN SUSAN COLEMAN TRUST ACCOUNT #084-259340 THROUGH SUN AMERICA SECURITIES ("SAS")

DATE	AMOUNT	NAME	MATURITY	PRICE	PROCEEDS	COMMISSION	50% COMM.	ANNUAL INCOME
3/16/2000	20M	BOONE CNTY 3.75 SCH	12/1/2003	90.96	18,418	100	50	750
"	30M	BOONE CNTY 4.25 SCH	12/1/2010	86.405	26,308	300	150	1,275
"	50M	C & H KY GAS REV 4.5	1/1/2003	96.26	48,627	500	250	2,250
"	30M	C & H KY GAS REV 4.75	1/1/2004	96.59	29,290	300	150	1,425
"	25M	DANVILLE KY CITY 4.3	6/1/2018	91.385	23,171	250	125	1,075
"	55M	FAYETTE CNTY 4.5	8/1/2007	91.851	50,858	550	275	2,475
"	30M	HARDIN CNTY 4.1	7/1/2005	90.963	27,559	300	150	1,230
"	40M	HARDIN CNTY 4.125	7/1/2006	89.392	36,120	400	200	1,650
"	70M	JEFFERSON CNTY 5	10/1/2013	90.8	65,209	700	350	3,500
"	85M	KY HOUSING 5.3	7/1/2010	97.02	83,465	850	425	4,505
"	45M	KY STATE PPTY 4.5	9/1/2002	97.75	44,097	225	113	2,025
"	10M	KY STATE TPK 7.2	7/1/2009	105.225	10,679	100	50	720
"	30M	N. KY WATER DIST 4.75	2/1/2009	93.105	28,126	300	150	1,425
"	30M	PIKE CNTY SCHOOL 4.375	12/1/2005	93.105	28,329	150	75	1,313
"	50M	UNIVERSITY KY 5	5/1/2002	98.693	50,315	250	125	2,500
"	40M	WARREN CNTY HOSP 5	4/1/2008	96.173	39,410	400	200	2,000
					609,980	5,675	2,838	\$30,118
								5%

95M	2002
70M	2003
30M	2004
60M	2005
40M	2006
55M	2007
40M	2008
40M	2009
115M	2010
70M	2013
25M	2018

FIGURES OBTAINED FROM SAS REPORT - ACC02097 OR SAS PRODUCTION RUN AND ARE ROUNDED TO THE NEAREST DOLLAR

THE TURNOVER OF THESE DOLLARS GENERATED SOME \$42,362 IN OVERALL COMMISSIONS AND \$28,519 DIRECTLY TO STOCKBRIDGE

DATE	AMOUNT	VARIABLE ANNUITY	COMMISSION	STOCKBRIDGE COMMISSION
BOUGHT				
3/23/2000	611,442	ANL POLARIS II	36,687	70% 25,681

THE EXCHANGE OF TAX FREE INCOME FOR TAX DEFERRED INCOME WHICH WOULD BE TAXABLE WHEN TAKEN.

**MUTUAL FUNDS SOLD FOR SUSAN COLEMAN THROUGH BLACK ROCK MUTUAL FUNDS**  
 QUALITY DIVERSIFIED GROUP OF MUTUAL FUNDS WITHIN A LARGE FAMILY OF FUNDS.

DATE REDEEMED	NUMBER SHARES	NAME OF BLACK ROCK FUNDS FORMERLY IN INSTITUTIONAL SHARES	NET \$ AMOUNT
4/25/2000	13,072+	INTERNATIONAL EQUITY - A	193,344
4/25/2000	4,419+	SMALL CAP VALUE EQUITY - A	66,152
4/25/2000	9,071+	SMALL CAP GROWTH EQUITY - A	281,858
4/25/2000	3,609+	MID CAP VALUE EQUITY - A	42,660
4/25/2000	5,052+	MID CAP GROWTH EQUITY - A	117,076
SUB TOTAL			701,090
5/1/2000	118,235	KENTUCKY TAX FREE FUND - A	1,113,774
TOTAL			1,814,864

ANNUAL INCOME	
\$	
%	

FIGURES OBTAINED FROM 2000 FORM 1099B PROCEEDS OF TRADES, OR CASH DISBURSEMENT WIRES, PROVIDED BY BLACK ROCK FUNDS. FIGURES ARE ROUNDED TO THE NEAREST DOLLAR.

PROCEEDS OF THE MUTUAL FUND SALES WERE IMMEDIATELY INVESTED INTO TWO VARIABLE ANNUITIES IN THE TRUST ACCOUNT.

DATE BOUGHT	\$ AMOUNT	VARIABLE ANNUITIES	COMMISSION	STOCKBRIDGE
4/28/2000	\$701,090	ANCHOR NAT. LIFE - SEASONS	52,582	36,807

THE SUB ACCOUNTS USED IN THIS ANNUITY WERE ALMOST IDENTICAL TO THE BLACK ROCK MUTUAL FUNDS SOLD. INTERNATIONAL EQUITY PORT., SMALL CAP GROWTH, MID CAP GROWTH, AND LARGE CAP GROWTH. CLASSIC M.F. SWITCHING

5/9/2000	1,113,774	AMERITAS VAR. LIFE - ACCENT I	72,395	50,677
TOTAL			124,977	87,484

THE EXCHANGE OF TAX FREE INCOME FOR TAX DEFERRED INCOME WHICH WOULD BE TAXABLE WHEN TAKEN.

FIGURES OBTAINED FROM SAS PRODUCTION RUN AND ROUNDED TO THE NEAREST DOLLAR M.F. SWITCHING SUBACCOUNTS LISTED ON ACC04464

THE TURNOVER OF THESE DOLLARS GENERATED \$124,977 IN COMMISSIONS OF THIS, \$87,484 COMMISSIONS WERE GENERATED FOR STOCKBRIDGE

**STOCKS SOLD BY STOCKBRIDGE IN THE AFCS - SUSAN N. COLEMAN FOUNDATION ACCT #5CK-176864**

A PROFESSIONALLY MANAGED WELL DIVERSIFIED PORTFOLIO OF PRIMARILY BLUE CHIP STOCKS.  
 \* TWELVE OF THE TWENTY STOCKS ARE IN THE DOW JONES INDUSTRIAL AVERAGES

DATE SOLD	DATE BOUGHT	SECURITY	SYMBOL	AMOUNT	SOL/UNS	FEES OR CHARGES	COMMISSION "STANDARD"	NET PROCEEDS	STOCKBRIDGE COMMISSION
8/4/2000		AT&T	T	1,616	SOL	5	789	48,898	50%
"		ALCOA	AA	4,268	SOL	12	1,698	133,076	50%
"		BELLSOUTH	BLS	4,759	SOL	10	2,052	185,324	50%
"		CATERPILLAR	CAT	2,223	SOL	6	1,037	75,789	50%
"		CHEVRON	CHV	1,825	SOL	8	1,519	143,738	50%
"		CIGNA	CI	1,500	SOL	9	1,470	150,303	50%
"		CITIGROUP	C	2,814	SOL	10	2,034	202,322	50%
"		DU PONT	DD	3,639	SOL	9	1,819	165,566	50%
"		EASTMAN KODAK	EK	2,654	SOL	9	1,629	150,138	50%
"		EXXON MOBILE	XOM	4,223	SOL	15	2,984	343,287	50%
"		GEN ELECT	GE	11,535	SOL	24	4,295	599,471	50%
"		INTEL	INTC	7,648	SOL	19	3,634	475,184	50%
"		J C PENNEY	JCP	356	SOL	4	178	5,937	50%
"		JOHNSON & JOHN.	JNJ	3,997	SOL	16	3,077	380,119	50%
"		LUCENT TECH.	LU	1,392	SOL	5	837	57,448	50%
"		MINNESOTA M&M	MMM	1,222	SOL	7	1,198	108,928	50%
"		MOTOROLA	MOT	3,999	SOL	8	1,641	138,316	50%
"		PROCTER & GAMBLE	PG	3,799	SOL	11	2,211	215,984	50%
"		SBC COMM.	SBC	1,011	SOL	5	704	43,648	50%
"		VERIZON COMM.	VZ	515	SOL	4	471	23,151	50%
SUB TOTAL					192		34,489	3,597,727	17,644
8/18/2000		GLENBROOK - V ANN		1,210,724	SOL	6%	72,643		50,850
8/21/2000		POLARIS - V ANN		1,210,724	SOL	6%	72,643		50,850
8/21/2000		SEASONS - V ANN		1,210,724	SOL	8%	96,858		67,801
SUB TOTAL							242,144		169,501
TOTAL							276,633		187,145

FIGURES ON STOCK TRANSACTIONS OBTAINED FROM SAS TRADE CONFIRMATIONS AND ROUNDED TO NEAREST DOLLAR  
 FIGURES ON VARIABLE ANNUITY PURCHASES WERE OBTAINED FROM SAS PRODUCTION RUNS AND ROUNDED TO NEAREST DOLLAR  
 TURNOVER OF THESE DOLLARS GENERATED COMMISSIONS OF \$276,633  
 AND OF THAT, STOCKBRIDGE RECEIVED \$187,145

# COMMISSION RECEIVED BY STOCKBRIDGE AND OTHERS FROM THE 100% TURNOVER OF THE SUSAN COLEMAN INHERITANCE

DATE	PURCHASES	NET PROCEEDS OF SALE	SECURITY	ANNUITY CERTIFICATE NUMBER	CHARGES OR FEES	TOTAL COMMISSION PAID	STOCKBRIDGE COMMISSION	L. W. SMITH COMMISSION	SUN AMERICA COMMISSION				
1/14/2000	*	33,750	BK CHECK	ANL POLARIS II - V ANN	P3799532429	6%	2,025	70%	1,418	20%	405.00	10%	202.50
3/9/2000	*	207,086	W-TFR	ANL POLARIS II - V ANN	P3799532429	6%	12,425	70%	8,698	20%	2,485	10%	1,243
3/16/2000	*	609,979	SIXTEEN MUNICIPAL BONDS	TICKET CHARGE	<1%	5,675	50%	2,838	30%	1,703	20%	1,135	
3/23/2000	*	611,442	ANL POLARIS II - V ANN	P3799532429	\$720	0	0	0	0				
12/5/2000	*	6,696	W-TFR	ANL SEASONS - V ANN	A39A0025047	6%	36,687	70%	25,681	20%	7,337	10%	3,669
12/5/2000	**	701,090	5 BLACK ROCK EQ. M. F.	ANL SEASONS - V ANN	A39A0025047	6%	502	70%	352	20%	100	10%	50
4/28/2000	*	701,090	ANL SEASONS - V ANN	TX FREE BLACK ROCK M.F.	6%	0	0	0	0				
5/1/2000	**	1,113,774	AVL ACCENT I - V ANN	2103097386	6.50%	52,582	70%	36,807	20%	10,516	10%	5,258	
5/9/2000	*	1,113,774	TWENTY STOCKS	TICKET CHARGE	<1%	0	0	0	0				
8/4/2000	***	3,597,727	AMERICAN FOUNDATION	AM00013613	\$1,638	72,395	70%	50,676	20%	14,480	10%	7,240	
8/10/2000	***	1,210,724	GLENBROOK AIM- V ANN	A39A0045241	\$36,689	35,202	50%	17,601	30%	10,561	20%	7,040	
8/18/2000	***	1,210,724	ANL POLARIS II - V ANN	P37A0045242	6%	0	0	0	0				
8/21/2000	***	1,210,724	ANL SEASONS - V ANN	P37A0045242	6%	0	0	0	0				
8/21/2000	***	1,210,724	ANL SEASONS - V ANN	P37A0045242	8%	72,643	70%	50,850	20%	14,529	10%	7,264	
1/8/2001	*	16,756	W-TFR	ANL POLARIS II - V ANN	P3799532429	6%	72,643	70%	50,850	20%	14,529	10%	7,264
						96,858	70%	67,801	20%	19,372	10%	9,686	
						1,005	70%	704	20%	201	10%	101	
					\$39,235	460,643	314,274	96,217	50,152				

\* ACTIVITY THROUGH SUSAN COLEMAN TRUST ACCOUNT AT SAS.

\*\* ACTIVITY THROUGH BLACK ROCK MUTUAL FUNDS.

\*\*\* ACTIVITY THROUGH AFCS-SUSAN COLEMAN FOUNDATION ACCOUNT AT SAS.

THESE FIGURES ARE OBTAINED FROM THE SAS PAID PRODUCTION RUNS AND ARE ROUNDED TO THE NEAREST DOLLAR.  
WIRE TRANSFERS (W-TFR) WERE CONFIRMED BY PNC BANK AND/OR ANCHOR NATIONAL LIFE (ANL), A SUBSIDIARY OF SAS.  
BANK CHECK (BK CHECK) FROM PNC BANK SENT DIRECTLY TO INSURANCE COMPANY

THE 100% TURNOVER OF THE SUSAN COLEMAN INHERITANCE, APPROXIMATELY \$6,500,000, WAS UNSUITABLE. THE INVESTMENT OF ALL MONIES OF A SIZABLE PORTFOLIO INTO ANY SINGLE PRODUCT OR INVESTMENT IS UNSUITABLE. THE TURNOVER OF THE COLEMAN INHERITANCE GENERATED \$460,643 IN COMMISSIONS AND \$39,235 IN FEES, A TOTAL OF \$499,878, WHICH REPRESENTS A COST OF 7.7%. THESE TRANSACTIONS WERE EXCESSIVE IN SIZE, CHARGED EXCESSIVE COMMISSIONS AND PROVIDED NO CORRESPONDING BENEFIT TO MS. COLEMAN. THIS ACTIVITY IS AN EXAMPLE OF CHURNING BY SIZE.

THIS COMMISSION/PRODUCTION/SUITABILITY REPORT WAS PREPARED BY MICHAEL J. DONOVAN

DATED 4-1-03





# ROSHKA HEYMAN & DEWULF

ROSHKA HEYMAN & DEWULF, PLC  
ATTORNEYS AT LAW  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET  
SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

August 22, 2003

Mark Dinell, Esq.  
Securities Division  
Arizona Corporation Commission  
1300 W. Washington Street, 3rd Floor  
Phoenix, AZ 85007

Re: Docket No. S-03465A-02-0000  
*In the Matter of: Victor Monroe Stockbridge and G. Irene Stockbridge*

Dear Mr. Dinell:

We have reviewed the documents produced by the Division in this matter, and compared the production with the Division's "Inventory Log." To date, the Division's production has been insufficient. The Division has failed to produce a number of documents that are clearly discoverable. In addition, there are several notations and entries on the Inventory Log, regarding documents not produced thus far, that require a further explanation. This includes the following:

1. ACC00201 – According to the Inventory Log, this document is part of "Susan Coleman's Trust account file." This document relates directly to the customer who is the subject of the Division's Notice of Opportunity for Hearing and is clearly discoverable.
2. ACC00478-479 – According the Inventory Log, these documents were collected during an onsite examination of the SunAmerica offices in Sedona. These documents reportedly relate to Ms. Coleman's American Foundation account. The assets transferred to the American Foundation are a central issue in this proceeding and any documents relating to the American Foundation are clearly discoverable.
3. ACC00528-530 and 554-555 – According to the Inventory Log, these documents were collected during the onsite examination of the SunAmerica offices in Sedona. These documents are part of the outgoing correspondence, in 2001, from Smith Financial Services. The Inventory Log notes that the Division "will review to identify producible documents, if any." Please update this entry to include the results of the "review."
4. ACC00556, 613, 645-648, and 849 – According to the Inventory Log, these documents were collected during the onsite examination of the SunAmerica offices in Sedona. These documents reportedly relate to "information on charitable trusts and foundations offered by Vern Smith." The Division has already produced documents

EXHIBIT

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# ROSHKA HEYMAN & DEWULF

Mark Dinell, Esq.  
August 22, 2003  
Page 2

Bates stamped ACC00557-612, 614-644, and 649-848 from this same category. The Division must produce the remaining documents or set forth an objection to their production.

5. **ACC00850-945** – According to the Inventory Log, these documents were collected during the onsite examination of the SunAmerica offices in Sedona. Reportedly, they relate to “client files.” The Division has indicated that they will not produce the contents of this folder. They have also indicated that these files pertain to clients other than Ms. Coleman. Please confirm that none of the documents in this subcategory relate to Ms. Coleman in any way.

6. **ACC01008** – According to the Inventory Log, these documents were collected during the onsite examination of Smith Financial Services and relate to the “firm profile, Form ADV from Smith office.” The Division has not provided any explanation as to why these documents have not been produced. Please supplement the Division’s production accordingly.

7. **ACC02517-2592** – According to the Inventory Log, these documents were collected during the onsite examination of Smith Financial Services. Reportedly, these documents relate to “SunAmerica/Smith Financial customers, other than Susan Coleman.” Again, please confirm that none of these documents relate in any way to Ms. Coleman.

8. **ACC03064-3067** – According to the Inventory Log, these documents were collected from SunAmerica Securities and relate to “copies of 3 variable annuity explanation of investment forms.” The Inventory Log also implies that these documents pertain to customers other than Susan Coleman. Please confirm that these documents do not relate in any way to Ms. Coleman.

9. **ACC04281-4331** – According to the Inventory Log, the source of these documents has been “redacted” and “authority to produce is being sought.” Please provide further detail as to this Log entry.

10. **ACC04375-4389** – According to the Inventory Log, these documents were collected from Jackson National Life and pertain to customers “other than Susan Coleman.” Please confirm that none of these documents relate in any way to Ms. Coleman.

11. **ACC04392-4434** – There is no entry in the Inventory Log for these documents. Please provide a description of these documents, sufficient detail as to why they do not appear in the Inventory Log, and produce them.

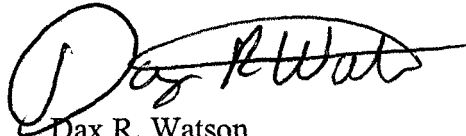
ROSHKA HEYMAN & DEWULF

Mark Dinell, Esq.  
August 22, 2003  
Page 3

12. ACC04486-4510 – According to the Inventory Log, these documents were collected from SunAmerica Securities and relate to the annuity contracts. The Inventory Log notes that the documents will be produced “to the extent this folder contains documents pertaining to Susan Coleman.” Please confirm that the documents that have not been produced relate to other clients and not Ms. Coleman.
13. ACC04928-5019 – According to the Inventory Log, these documents were collected from SunAmerica Securities and relate to “annuity information.” The Division has not provided any explanation as to why it has not produced these documents. Please supplement the Inventory Log and production accordingly.
14. ACC05311-5317 – According to the Inventory Log, the source of these documents has been “redacted” and “authority to produce is being sought.” Please provide further detail as to this Log entry.
15. ACC05588-5612 – According to the Inventory Log, these documents were collected from Victor Stockbridge and relate to the “Stockbridge Trust Agreement plus amendments.” These documents are clearly discoverable and should be produced.
15. ACC05613-5630 – According to the Inventory Log, these documents were obtained from Victor Stockbridge and relate to his personal annuities and documents relating to his home. Again, these documents are clearly discoverable and should be produced.
17. ACC05881-5920 – There is not an entry in the Inventory Log for these documents. Please update the Inventory Log accordingly and confirm that the Log includes all documents collected to date.

We appreciate your prompt response to this supplemental request.

Sincerely,



Dax R. Watson  
For the Firm

DRW:rab

cc: Victor M. and G. Irene Stockbridge  
Paul J. Roshka, Jr., Esq.  
Joyce Goodwin

stockbridge.acc/lt/dinell01.doc



**COMMISSIONERS**  
MARC SPITZER - Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON

JAMES G. JAYNE  
INTERIM EXECUTIVE SECRETARY



MATTHEW J. NEUBERT  
ACTING DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007  
TELEPHONE: (602) 542-4242  
FAX: (602) 594-7470  
E-MAIL: accsec@ccsd.cc.state.az.us

**ARIZONA CORPORATION COMMISSION**

Mr. Dax R. Watson Esq.  
Roshka Heyman & DeWulf PLC  
400 E. Van Buren St., Suite 800  
Phoenix, AZ 85004

Re: *Docket No. S-03465A-02-000; In the Matter of Victor M. and G. Irene Stockbridge*

September 11, 2003

Dear Mr. Watson:

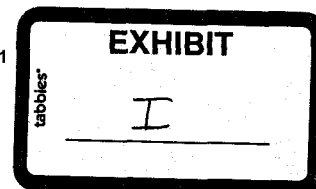
The Securities Division of the Arizona Corporation Commission responds to Respondent Victor M. and Irene G. Stockbridge's supplemental requests of explanations and production dated August 22, 2003.

To expedite full disclosure of all documents you have requested please note and promptly execute the Division's proposed *Stipulated Protective Order* which is attached to this letter. The Division is prepared to honor Respondent's requests (Request Number 9: Division Bates Numbers ACC04281-4331 and Request Number 14: Division Bates Numbers ACC05311-5317) for confidential records produced by the Arizona Department of Economic Security – Adult Protective Services which are governed by the confidentiality dictates of ARIZ. REV. STAT. § 41-1959 only upon Respondent's proper execution of a legally enforceable protective order.

By way of a round about introduction, my name is John Proper. I have recently come aboard as an attorney at the Securities Division. I will be assisting Mr. Dinell in this matter as I am familiarizing myself with the protocol and procedures at the Corporation Commission. If you have any questions or I can be of any assistance by direct telephone line is (602) 542-0609.

Sincerely,

John R. Proper, Attorney  
Arizona Corporation Commission – Securities Division





9/11/03

EXHIBIT

J

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL

Chairman

JIM IRVIN

Commissioner

MARC SPITZER

Commissioner

In the matter of:

) DOCKET NO. S-03465A-02-0000

VICTOR MONROE STOCKBRIDGE

[CRD # 1233627], and

G. IRENE STOCKBRIDGE

[Husband and Wife]

THE DIVISION'S RESPONSE TO  
SUPPLEMENTAL REQUESTS

61 Rufous Lane

Sedona, Arizona 86336-7117

Respondents.



To: Dax R. Watson  
Roshka Heyman & DeWulf PLC  
400 E. Van Buren St., Suite 800  
Phoenix, AZ 85004

The Securities Division of the Arizona Corporation Commission responds to Respondent Victor M. and Irene G. Stockbridge's supplemental requests of explanations and production dated August 22, 2003:

**REQUEST 1:** ACC00201 - According to the Inventory Log, this document is part of "Susan Coleman's Trust account file." This document relates directly to the customer who is the subject of the Division's Notice of Opportunity for Hearing and is clearly discoverable.

**RESPONSE:** The document Respondent requests (correspondence between Verne Smith of SunAmerica Securities and Virginia Duncan, Division Bates Number ACC00201) is attached under Exhibit Tab 1.

**REQUEST 2:** ACC00478-479 - According to the Inventory Log, these documents were collected during an onsite examination of the SunAmerica offices in Sedona. These documents reportedly relate to Ms. Coleman's American Foundation account. The assets transferred to the American

1 Foundation are a central issue in this proceeding and any documents relating to the American  
2 Foundation are clearly discoverable.

3 **RESPONSE:** The documents Respondent request (an excerpted magazine article titled: "*Freed*  
4 *from Confining Regulation: Rules eased on trusts funded with hard-to-market-assets*," authored by  
5 Charles D. Mooney, Division Bates Numbers ACC00478 – 479) are attached under Exhibit Tab 2.

6 **REQUEST 3:** ACC00528-530 and 554-555 – According to the Inventory Log, these documents  
7 were collected during the onsite examination of the SunAmerica offices in Sedona. These  
8 documents are part of the outgoing correspondence, in 2001, from Smith Financial Services. The  
9 Inventory Log notes that the Division "will review to identify producible documents, if any."  
10 Please update this entry to include the results of the "review."

11 **RESPONSE:** The documents Respondent request (Division Bates Numbers ACC005548 – 555,  
12 SunAmerica Securities, Inc. Representative's Independent Activities Chart, and Charitable Trust  
13 Administration Company cover sheet) are attached under Exhibit Tab 3.

14 The Division objects to Respondent's request for documents (Division Bates Numbers ACC00528  
15 – 530; *IRS 1099 Tax Information Statement* regarding the SunAmerica Accounts of Dominic and  
16 Audrey Mangiardi) on the grounds that the request asks for information that is outside the scope of  
17 discovery. The requested information concerns other clients and investors who are not involved in  
18 any aspect of this action. Therefore, the requested information is not relevant and will not lead to  
19 admissible evidence.

20 **REQUEST 4:** ACC00556, 613, 645-648, and 849 – According to the Inventory Log, these  
21 documents were collected during the onsite examination of the SunAmerica offices in Sedona.  
22 Tehrse documents reportedly relate to "information on charitable trusts and foundations offered by  
23 Vern Smith." The Division has already produced documents Bates stamped ACC00557-612, 614-  
24 644, and 649-848 from this same category. The Division must produce the remaining documents  
25 or set forth an objection to their production.

26 **RESPONSE:** The documents Respondent requests (Division Bates Number ACC00556,  
Charitable Trust Administration Company Brochure, Division Bates Number ACC00613,  
Charitable Trust Administration Company Supporting Organization Sheet, Division Bates  
Numbers ACC00645 – 648, Renaissance Inc. Brochure, and Division Bates Number ACC00849,  
market volatility article) are attached under Exhibit Tab 4.

**REQUEST 5:** ACC00850-945 – According to the Inventory Log, these documents were collected  
during the onsite examination of the SunAmerica offices in Sedona. Reportedly, they relate to  
"client files." The Division has indicated that they will not produce the contents of this folder.



1 They have also indicated that these files pertain to clients other than Ms. Coleman. Please confirm  
2 that none of the documents in this subcategory relate to Ms. Coleman in any way.

3 **RESPONSE:** The Division reiterates its previous statements with regard to the documents  
4 ACC00850-945 and would otherwise request greater specificity in Respondent's request.  
5 Consequently, there are no attachments under Exhibit Tab 5.

6 **REQUEST 6:** ACC01008 – According to the Inventory Log, these documents were collected  
7 during the onsite examination of Smith Financial Services and relate to the “firm profile, Form  
8 ADV from Smith office.” The Division has not provided any explanation as to why these  
9 documents have not been produced. Please supplement the Division's production accordingly.

10 **RESPONSE:** The document Respondent requests (Division Bates Number ACC01008, Schedule  
11 F of Form ADV Continuation Sheet for Form ADV Part II) is attached under Exhibit Tab 6.

12 **REQUEST 7:** ACC02517-2592 – According to the Inventory Log, these documents were  
13 collected during the onsite examination of Smith Financial Services. Reportedly, these documents  
14 relate to “SunAmerica/Smith Financial customers, other than Susan Coleman.” Again, please  
15 confirm that none of these documents relate in any way to Ms. Coleman.

16 **RESPONSE:** The Division reiterates its previous statements with regard to the documents  
17 ACC02517-2592 and would otherwise request greater specificity in Respondent's request.  
18 Consequently, there are no attachments under Exhibit Tab 7.

19 **REQUEST 8:** ACC03064-3067 – According to the Inventory Log, these documents were  
20 collected from SunAmerica Securities and relate to “copies of 3 variable annuity explanation of  
21 investment forms.” The inventory Log also implies that these documents pertain to customers  
22 other than Susan Coleman. Please confirm that these documents do not relate in any way to Ms.  
23 Coleman.

24 **RESPONSE:** The Division reiterates its previous statements with regard to the documents  
25 ACC03064-3067 and would otherwise request greater specificity in Respondent's request.  
26 Consequently, there are no attachments under Exhibit Tab 8.

**REQUEST 9:** ACC04281-4331 – According to the Inventory Log, the source of these documents  
has been “redacted” and “authority to produce is being sought.” Please provide further detail as to  
this Log entry.

1 **RESPONSE:** The Division objects to Respondents request because the request is premature at this  
2 time. The documents Respondent requests (Division Bates Numbers ACC04281-4331) consist of  
3 confidential medical records and evaluations produced by the Arizona Department of Economic  
4 Security – Adult Protective Services. The confidential nature of these records is governed by ARIZ.  
5 REV. STAT. § 41-1959. The Division will produce these records upon a formal entry of a protective  
6 order with the Commission. Attached to the cover letter to this *Response to Supplemental Requests*  
7 is the Division’s proposed *Stipulation for Protective Order*, the corollary *Nondisclosure Agreement*  
8 and the Commission’s *Stipulated Protective Order*. These documents are ready to be signed by  
9 Respondent’s counsel and returned to the Division. The Division is prepared to honor  
10 Respondent’s request after the *Protective Order* has been filed with the Commission.  
11 Consequently, there are no attachments under Exhibit Tab 9.

12  
13  
14 **REQUEST 10:** ACC04375-4389 – According to the Inventory Log, these documents were  
15 collected from Jackson National Life and pertain to customers “other than Susan Coleman.” Please  
16 confirm that none of these documents relate in any way to Ms. Coleman.

17 **RESPONSE:** The Division reiterates its previous statements with regard to the documents  
18 ACC04375-4389 and would otherwise request greater specificity in Respondent’s request.  
19 Consequently, there are no attachments under Exhibit Tab 10.

20  
21 **REQUEST 11:** ACC04392-4434 – There is no entry in the Inventory Log for these documents.  
22 Please provide a description of these documents, sufficient in detail as to why they do not appear in  
23 the Inventory Log, and produce them.

24 **RESPONSE:** Clerical error resulted in the misplacement of the Bates stamp tags bearing the  
25 sequence ACC04392-4434. As a consequence no evidence has been recorded with the series of  
26 Bates numbers ACC04392 through ACC4434 and there are no attachments under Exhibit Tab 11.

27  
28 **REQUEST 12:** ACC04486-4510 – According to the Inventory Log, these documents were  
29 collected from SunAmerica Securities and relate to the annuity contracts. The Inventory Log notes  
30 that the documents will be produced “to the extent this folder contains documents pertaining to  
31 Susan Coleman.” Please confirm that the documents that have not been produced relate to other  
32 clients and not Ms. Coleman.

33 **RESPONSE:** The Division reiterates its previous statements with regard to the documents  
34 ACC04486-4510 and would otherwise request greater specificity in Respondent’s request.  
35 Consequently, there are no attachments under Exhibit Tab 12.

1 **REQUEST 13:** ACC04928-5019 – According to the Inventory Log, these documents were  
2 collected from SunAmerica Securities and relate to “annuity information.” The division has not  
3 provided any explanation as to why it has not produced these documents. Please supplement the  
4 Inventory Log and production accordingly.

5 **RESPONSE:** The Division reiterates its previous statements with regard to the documents  
6 ACC04928-5019 and would otherwise request greater specificity in Respondent’s request.  
7 Consequently, there are no attachments under Exhibit Tab 13.

8 **REQUEST 14:** ACC05311-5317 – According to the Inventory Log, the source of these  
9 documents has been “redacted” and “authority to produce is being sought.” Please provide further  
10 detail as to this Log entry.

11 **RESPONSE:** The Division objects to Respondents request because the request is premature at this  
12 time. The documents Respondent requests (Division Bates Numbers ACC05311-5317) consist of  
13 confidential records produced by the Arizona Department of Economic Security – Adult Protective  
14 Services. The confidential nature of these records is governed by ARIZ. REV. STAT. § 41-1959.  
15 The Division will produce these records upon a formal entry of a protective order with the  
16 Commission. Attached to the cover letter to this *Response to Supplemental Requests* is the  
17 Division’s proposed *Stipulation for Protective Order*, the corollary *Nondisclosure Agreement* and  
18 the Commission’s *Stipulated Protective Order*. These documents are ready to be signed by  
19 Respondent’s counsel and returned to the Division. The Division is prepared to honor  
20 Respondent’s request after the *Protective Order* has been filed with the Commission.  
21 Consequently, there are no attachments under Exhibit Tab 14.

22 **REQUEST 15:** ACC05588-5612 – According to the Inventory Log, these documents were  
23 collected from Victor Stockbridge and relate to the “Stockbridge Trust Agreement plus  
24 amendments.” These documents are clearly discoverable and should be produced.

25 **RESPONSE:** The document Respondent requests (Division Bates Number ACC005588, Trust  
26 Agreement between Victor M. and G. Irene Stockbridge) is attached under Exhibit Tab 15.

**REQUEST 16:** ACC05613-5630 – According to the Inventory Log, these documents were  
obtained from Victor Stockbridge and relate to his personal annuities and documents relating to his  
home. Again, these documents are clearly discoverable and should be produced.


**RESPONSE:** The document Respondent requests (Division Bates Number ACC005613-5630,  
Trust Agreement between Victor M. and G. Irene Stockbridge) is attached under Exhibit Tab 16.

1 **REQUEST 17:** ACC05881-5920 – There is not an entry in the Inventory Log for these  
2 documents. Please update the Inventory Log accordingly and confirm that the Log includes all  
3 documents collected to date.

4 **RESPONSE:** After a diligent search, the following items have been identified that are responsive  
5 to Respondent's request:

- 6 1. Division Bates Numbers ACC 05863-05982; Documentation the distribution of funds  
7 inherited by Susan N. Coleman. Do please note clerical error in the Division's Bates  
8 stamping at document numbers ACC005881-005920. The error should be self evident  
9 upon your inspection of the documents.
- 10 2. Division Bates Numbers 05983; A breakdown of commissions earnings Messrs.  
11 Stockbridge, Smith, and Sun America.
- 12 3. Division Bates Number 05986; Letter advising that PNC Bank has no Victor Stockbridge  
13 listed as an employee.
- 14 4. Division Bates Numbers 05987-05989; Documents evidencing premium deposits made into  
15 Susan N. Coleman's annuity.

16 Dated this 11<sup>th</sup> day of September, 2003.

17   
18 \_\_\_\_\_  
19 Mark Dinell  
20 John R. Proper  
21 **Attorneys for:**  
22 Arizona Corporation Commission  
23 Securities Division

24 N:\ENFORCE\CASES\Stockbridge.ajl\MISC\9-5-03 Discovery\Response to RFP\RFP Response.doc  
25  
26

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2  
3 WILLIAM A. MUNDELL

4 Chairman

5 JIM IRVIN

6 Commissioner

7 MARC SPITZER

8 Commissioner

9 In the matter of:

) DOCKET NO. S-03465A-02-0000

10 VICTOR MONROE STOCKBRIDGE

) **ATTACHED EXHIBITS TO THE DIVISION'S**

11 [CRD # 1233627], and

) **RESPONSE TO SUPPLEMENTAL**

12 G. IRENE STOCKBRIDGE

) **REQUESTS**

13 [Husband and Wife]

14 61 Rufous Lane

15 Sedona, Arizona 86336-7117

16 Respondents.

17  
18 **TAB 1:** Division Bates Number ACC00201 (correspondence between Verne Smith of  
19 SunAmerica Securities and Virginia Duncan).

20 **TAB 2:** Division Bates Numbers ACC00478 – 479 (an excerpted magazine article titled: “*Freed*  
21 *from Confining Regulation: Rules eased on trusts funded with hard-to-market-assets,*” authored by  
22 Charles D. Mooney).

23 **TAB 3:** Division Bates Numbers ACC005548 – 555 (SunAmerica Securities, Inc.  
24 Representative’s Independent Activities Chart, and Charitable Trust Administration Company  
25 cover sheet).

26 **TAB 4:** Division Bates Number ACC00556 (Charitable Trust Administration Company Brochure,  
Division Bates Number ACC00613, Charitable Trust Administration Company Supporting  
Organization Sheet, Division Bates Numbers ACC00645 – 648, Renaissance Inc. Brochure, and  
Division Bates Number ACC00849, market volatility article).

**TAB 5:** Vacant.

**TAB 6:** Division Bates Number ACC01008 (Schedule F of Form ADV Continuation Sheet for  
Form ADV Part II).

**TAB 7:** Vacant.

1 **TAB 8:** Vacant.

2 **TAB 9:** Vacant.

3 **TAB 10:** Vacant.

4 **TAB 11:** Vacant.

5 **TAB 12:** Vacant.

6 **TAB 13:** Vacant.

7 **TAB 14:** Vacant.

8 **TAB 15:** Division Bates Number ACC005588 (Trust Agreement between Victor M. and G. Irene Stockbridge).

9 **TAB 16:** Division Bates Number ACC005613-5630 (Trust Agreement between Victor M. and G. Irene Stockbridge).

10 **TAB 17:** Division Bates Numbers ACC 05863-05982 (Documentation the distribution of funds  
11 inherited by Susan N. Coleman); Division Bates Numbers 05983 (A breakdown of commissions  
12 earnings Messrs. Stockbridge, Smith, and Sun America); Division Bates Number 05986 (Letter  
13 advising that PNC Bank has no Victor Stockbridge listed as an employee); and Division Bates  
14 Numbers 05987-05989 (Documents evidencing premium deposits made into Susan N. Coleman's  
15 annuity).

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**COMMISSIONERS**  
MARC SPITZER - Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON

JAMES G. JAYNE  
INTERIM EXECUTIVE SECRETARY



MATTHEW J. NEUBERT  
ACTING DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007  
TELEPHONE: (602) 542-4242  
FAX: (602) 594-7470  
E-MAIL: accsec@ccsd.cc.state.az.us

**ARIZONA CORPORATION COMMISSION**

Ms. Joyce R. Goodwin CLA  
Roshka Heyman & DeWulf PLC  
400 E. Van Buren St., Suite 800  
Phoenix, AZ 85004

RECEIVED SEP 18 2003

Re: *Docket No. S-03465A-02-000; In the Matter of Victor M. and G. Irene Stockbridge*

September 18, 2003

Dear Ms. Goodwin:

The Division is in receipt of the signed Protective Order pursuant to the Stipulation. As a consequence the Division withdraws its prior objection to Respondent's requests for production numbers nine (9) and fourteen (14) in the Division's response dated September 11, 2003.

Attached to this letter is all relevant material responsive those inquiries:

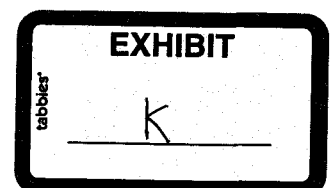
**REQUEST 9:** ACC04281-4331 – According to the Inventory Log, the source of these documents has been “redacted” and “authority to produce is being sought.” Please provide further detail as to this Log entry.

**REQUEST 14:** ACC05311-5317 – According to the Inventory Log, the source of these documents has been “redacted” and “authority to produce is being sought.” Please provide further detail as to this Log entry.

To expedite matters, I have also attached a copy of the Division's execution of the Stipulation. I will have the document formally filed with the Clerk as soon as possible.

Sincerely,

John R. Proper, Attorney  
Arizona Corporation Commission – Securities Division





WILLIAM A. MUNDELL  
Chairman  
JIM IRVIN  
Commissioner  
MARC SPITZER  
Commissioner

) DOCKET NO. S-03465A-02-0000

) **SUPPLEMENTAL EXHIBIT ATTACHMENT**  
) **TO THE DIVISION'S RESPONSE TO**  
) **SUPPLEMENTAL REQUESTS**

)

Respondents.

**TAB 14:** Division Bates Numbers ACC04928-5019 (durable power of attorney documents between Susan N. Coleman and Elizabeth C. Mooney).

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## BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES



IN THE MATTER OF THE.

DOCKET NO. S-03465A-02-0000

VICTOR MONROE STOCKBRIDGE  
[CRD # 1233627] and  
G. IRENE STOCKBRIDGE  
[Husband and Wife]

61 Rufous Lane  
Sedona, AZ 86336-7117

Respondents.

EIGHTH  
PROCEDURAL ORDER**BY THE COMMISSION:**

On December 30, 2002, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing ("Notice") against Victor Monroe Stockbridge and G. Irene Stockbridge ("Respondents"), in which the Division alleged multiple violations of the Arizona Securities Act ("Act") in connection with the offer and sale of securities by fraudulent transactions.

The Respondents were duly served with a copy of the Notice.

On January 10, 2003, a request for hearing was filed for Respondents.

On January 17, 2003, by Procedural Order, a pre-hearing conference was scheduled for February 4, 2003.

On February 4, 2003, the pre-hearing conference was held as scheduled. The Respondents and the Division were present with counsel. Matters related to discovery were discussed and dates agreed upon for scheduling a hearing.

On February 5, 2003, by Procedural Order, a hearing was scheduled to commence on May 12, 2003.

On April 14, 2003, the Division and the Respondents filed a joint Stipulated Motion to

1 Continue ("Stipulated Motion") the above-captioned matter until the Division notifies the  
2 Respondents and the presiding Administrative Law Judge that the Division is ready to go forward.  
3 The Stipulated Motion requested an indefinite continuance because counsel for the Division was  
4 going on an extended medical leave without a definite date to return to work.

5 On April 17, 2003, by Procedural Order, the proceeding was continued until further Order.

6 On June 22, 2004, the Division filed a motion to schedule a pre-hearing conference.

7 On June 24, 2004, by Procedural Order, a pre-hearing conference was scheduled.

8 On July 9, 2004, Respondents filed a Motion to Stay and/or Extend the Indefinite  
9 Continuance ("Motion to Extend") pending the resolution of parallel civil proceedings before the  
10 Maricopa County Superior Court and a scheduled arbitration before a panel of arbitrators pursuant to  
11 the terms of a customer account agreement.

12 On July 15, 2004, a pre-hearing conference was held as scheduled. The Division and  
13 Respondents appeared through counsel. A discussion concerning aspects of the proceeding and when  
14 the Division would be filing its response to Respondents' Motion to Extend.

15 On July 23, 2004, the Division filed its Response in opposition to Respondents' Motion to  
16 extend. The Division argued that Respondents would not be unduly prejudiced if the proceeding is  
17 not continued further and cited a series of cases which strongly support its arguments in opposition of  
18 a further continuance. In fact, the Division's position in the proceeding may be unduly prejudiced as  
19 time passes due to the age and health of the parties involved.

20 On August 19, 2004, by Procedural Order, the Respondents' Motion to Extend was denied  
21 and a pre-hearing conference was scheduled for September 14, 2004.

22 On September 2, 2004, by teleconference, the Division and Respondents requested the pre-  
23 hearing conference be continued due to a scheduling conflict.

24 On September 3, 2004, by Procedural Order, the pre-hearing conference was continued to  
25 September 22, 2004.

26 On September 22, 2004, the Division and the Respondents appeared through counsel at the  
27 pre-hearing conference. The status of the various civil proceedings and procedural and discovery  
28 issues were discussed. Due to certain outstanding discovery issues which had been stayed when the

proceeding had been continued indefinitely on April 17, 2003, Respondents' counsel indicated that he would file a response(s) to pending objections to outstanding Subpoenas Duces Tecum by October 8, 2004. The Division indicated that it reserved its rights to also file a response(s) by that date also. The parties were directed to exchange copies of their witness lists and exhibits by December 1, 2004, pending the commencement of a hearing on the Notice herein on January 10, 2005.

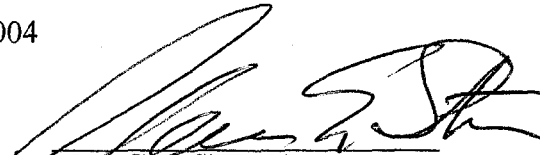
On September 24, 2004, by Procedural Order, responses were scheduled for filing on October 8, 2004, witness lists and exhibits were scheduled to be exchanged by December 1, 2004 and the hearing was scheduled to commence on January 10, 2005.

On October 7, 2004, the parties filed a stipulated request to file their responses concerning the outstanding Subpoenas Duces Tecum on October 15, 2004.

Accordingly, the responses should be filed by October 15, 2004.

IT IS THEREFORE ORDERED that response(s) to the pending objections to the outstanding Subpoenas Duces Tecum shall be filed by October 15, 2004.

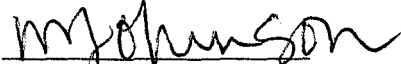
DATED this 13th day of October, 2004

  
MARC E. STERN  
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed/delivered this 13 day of October, 2004 to:

Paul J. Roshka, Jr.  
James M. McGuire  
ROSHKA, HEYMAN & DeWULF, PLC  
One Arizona Center  
400 East Van Buren Street, Ste. 800  
Phoenix, AZ 85004  
Attorneys for Respondent

Matt Neubert, Director  
Securities Division  
ARIZONA CORPORATION COMMISSION  
1300 West Washington Street  
Phoenix, AZ 85007

By:   
Molly Johnson  
Secretary to Marc E. Stern